Calendar No. 438

99TH CONGRESS
*1st Session*

SENATE

REPORT
99-200

# VETERANS' COMPENSATION AND BENEFITS IMPROVEMENTS ACT OF 1985

## REPORT

OF THE

## COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

## S. 1887

NOVEMBER 26, 1985.—Ordered to be printed

Filed under the authority of the order of the Senate of November 23 (legislative day, November 18), 1985

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Mr. MURKOWSKI, from the Committee on Veterans' Affairs, submitted the following

## REPORT

[To accompany S. 1887]

The Committee on Veterans' Affairs reports favorably on an original bill to increase the rates of disability compensation for disabled veterans and to increase the rates of dependency and indemnity compensation for surviving spouses and children of veterans, to improve veterans' education benefits and to improve the Veterans' Administration home loan guaranty program, to improve national cemetery programs and for other purposes and recommends that the bill do pass.

### COMMITTEE BILL

The text of the original bill ordered reported and being reported is as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SHORT TITLE AND REFERENCES

SECTION 1. (a) This Act may be cited as the "Veterans' Compensation and Benefits Improvements Act of 1985".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

## TITLE I—DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

### RATE INCREASES

SEC. 101. (a) Section 314 is amended—

(1) by striking out "$66" in subsection (a) and inserting in lieu thereof "$68";

(2) by striking out "$122" in subsection (b) and inserting in lieu thereof "$126";

(3) by striking out "$185" in subsection (c) and inserting in lieu thereof "$191";

(4) by striking out "$266" in subsection (d) and inserting in lieu thereof "$274";

(5) by striking out "$376" in subsection (e) and inserting in lieu thereof "$388";

(6) by striking out "$474" in subsection (f) and inserting in lieu thereof "$489";

(7) by striking out "$598" in subsection (g) and inserting in lieu thereof "$617";

(8) by striking out "$692" in subsection (h) and inserting in lieu thereof "$713";

(9) by striking out "$779" in subsection (i) and inserting in lieu thereof "$803";

(10) by striking out "$1,295" in subsection (j) and inserting in lieu thereof "$1,335";

(11) by striking out "$1,609" and "$2,255" in subsection (k) and inserting in lieu thereof "$1,659" and "$2,325", respectively;

(12) by striking out "$1,609" in subsection (l) and inserting in lieu thereof "$1,659";

(13) by striking out "$1,774" in subsection (m) and inserting in lieu thereof "$1,829";

(14) by striking out "$2,017" in subsection (n) and inserting in lieu thereof "$2,080";

(15) by striking out "$2,255" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$2,325";

(16) by striking out "$968" and "$1,442" in subsection (r) and inserting in lieu thereof "$998" and "$1,487", respectively;

(17) by striking out "$1,449" in subsection (s) and inserting in lieu thereof "$1,494"; and

(18) by striking out "$280" in subsection (t) and inserting in lieu thereof "$289".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

## ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended—

(1) by striking out "$79" in clause (A) and inserting in lieu thereof "$81";

(2) by striking out "$132" and "$42" in clause (B) and inserting in lieu thereof "$136" and "$43", respectively;

(3) by striking out "$54" and "$42" in clause (C) and inserting in lieu thereof "$56" and "$43", respectively;

(4) by striking out "$64" in clause (D) and inserting in lieu thereof "$66";

(5) by striking out "$143" in clause (E) and inserting in lieu thereof "$147"; and

(6) by striking out "$120" in clause (F) and inserting in lieu thereof "$124".

## CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$349" and inserting in lieu thereof "$360".

## DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 104. Section 411 is amended—

(1) by striking out the table in subsection (a) and inserting in lieu thereof the following:

| "Pay grade | Monthly rate | Pay grade | Monthly rate |
|---|---|---|---|
| E-1 | $491 | W-4 | $703 |
| E-2 | 505 | O-1 | 621 |
| E-3 | 518 | O-2 | 640 |
| E-4 | 552 | O-3 | 686 |
| E-5 | 566 | O-4 | 725 |
| E-6 | 578 | O-5 | 799 |
| E-7 | 607 | O-6 | 900 |
| E-8 | 640 | O-7 | 973 |
| E-9 | [1] 669 | O-8 | 1,067 |
| W-1 | 621 | O-9 | 1,145 |
| W-2 | 645 | O-10 | [2] 1,255 |
| W-3 | 664 | | |

"[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $722.

"[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, or Commandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,345.";

(2) by striking out "$55" in subsection (b) and inserting in lieu thereof "$57";

(3) by striking out "$143" in subsection (c) and inserting in lieu thereof "$147"; and

(4) by striking out "$70" in subsection (d) and inserting in lieu thereof "$72".

### DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413 is amended—

(1) by striking out "$240" in clause (1) and inserting in lieu thereof "$247";

(2) by striking out "$345" in clause (2) and inserting in lieu thereof "$356";

(3) by striking out "$446" in clause (3) and inserting in lieu thereof "$460"; and

(4) by striking out "$446" and "$90" in clause (4) and inserting in lieu thereof "$460" and "$93", respectively.

### SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 106. Section 414 is amended—

(1) by striking out "$143" in subsection (a) and inserting in lieu thereof "$147";

(2) by striking out "$240" in subsection (b) and inserting in lieu thereof "$247"; and

(3) by striking out "$122" in subsection (c) and inserting in lieu thereof "$126".

### EFFECTIVE DATE

SEC. 107. The amendments made by this title shall take effect on December 1, 1985.

### SENSE OF THE CONGRESS REGARDING MAINTAINING THE TAX-EXEMPT STATUS OF DISABILITY COMPENSATION

SEC. 108. It is the sense of the Congress that any payments by the Veterans' Administration to veterans as compensation for service-connected disabilities should remain exempt from Federal income taxation.

## TITLE II—EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

### APPRENTICESHIP AND ON-JOB TRAINING UNDER THE NEW GI BILL

SEC. 201. (a) Section 1402 is amended—

(1) by striking out paragraph (3) and inserting in lieu thereof the following:

"(3) The term 'program of education' (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title."; and

(2) by adding at the end the following new paragraph:

"(7) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.".

(b)(1) Section 1432 is amended by adding at the end the following new subsection:

"(c)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.

"(2)(A) The amount of the monthly educational assistance allowance for an individual pursuing a full-time program of apprenticeship or other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.

"(B) An individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly educational assistance allowance as reduced under subparagraph (A) of this paragraph.".

(2) The heading of such section is amended to read as follows:

**"§ 1432. Limitations on educational assistance for certain individuals".**

(3) The item relating to such section in the table of sections at the beginning of chapter 30 is amended to read as follows:

"1432. Limitations on educational assistance for certain individuals.".

(c) Section 1434 is amended—

(1) in subsection (a), by striking out the parenthetical matter in the first sentence and inserting in lieu thereof "(with the exception of section 1787)"; and

(2) in subsection (b)(2), by inserting "or training establishment, as the case may be," after "educational institution".

### ADJUSTMENT OF DELIMITING PERIOD FOR INDIVIDUALS ENTITLED TO CERTAIN COMBINED BENEFITS

Sec. 202. (a) Section 1411(a)(1)(B) is amended by inserting "and was on active duty on October 19, 1984, and without a break in service since October 19, 1984," after "title".

(b) Section 1412(a)(1)(B) is amended by inserting "and was on active duty on October 19, 1984, and without a break in service since October 19, 1984," after "title".

(c) Section 1431 is amended—

(1) by striking out "(d)" in subsection (a) and inserting in lieu thereof "(e)";

(2) by redesignating subsection (e) as subsection (f); and

(3) by inserting after subsection (d) the following new subsection (e);

"(e) In the case of an individual described in section 1411(a)(1)(B) or 1412(a)(1)(B) of this title who is entitled to basic educational assistance under this chapter, the 10-year period prescribed in subsection (a) of this section shall be reduced by an amount of time equal to the amount of time that such individual was not serving on active duty during the period beginning on January 1, 1977, and ending on October 18, 1984.".

### EDUCATIONAL ASSISTANCE FOR CORRESPONDENCE COURSES UNDER THE NEW GI BILL

SEC. 203. Section 1434 is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection (c):

"(c) When an eligible individual is pursuing a program of education under this chapter by correspondence, the individual's entitlement under this chapter shall be charged at the rate of 1 month's entitlement for each month of benefits paid to the individual.".

### RESPONSIBILITIES OF THE ADVISORY COMMITTEE ON EDUCATION

SEC. 204. Section 1792 is amended—

(1) in subsection (a), by inserting "30," after "chapter"; and

(2) in subsection (b), by inserting "30," after "chapters".

### WORK-STUDY ALLOWANCE UNDER THE NEW GI BILL AND THE POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 205. (a) The first sentence of section 1434(a) is amended by striking out "and 1683" and inserting in lieu thereof "1683, and 1685".

(b) Section 1641 is amended by inserting "1685," after "1683,".

(c) The first sentence of section 1685(b) is amended by striking out "education or training under chapters 31 and 34" and inserting in lieu thereof "rehabilitation, education, or training under chapter 30, 31, 32, or 34".

### ON-JOB TRAINING UNDER THE POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 206. (a) Section 1602 is amended—

(1) by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) The term 'program of education' (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title."; and

(2) by adding at the end the following new paragraphs:

"(4) The term 'educational institution' has the meaning given such term in section 1652(c) of this title.

"(5) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.".

(b) Section 1631(a)(2) is amended by striking out "The" and inserting in lieu thereof "Except as provided in section 1633 of this title and subject to section 1641 of this title, the".

(c)(1) Subchapter III of chapter 32 is amended by adding at the end the following new section:

**"§ 1633. Apprenticeship or other on-job training**

"(a)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.

"(2)(A) The amount of the monthly benefit payment to an individual pursuing a full-time program of apprenticeship or of other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.

"(B) An individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly benefit as reduced under subparagraph (A) of this paragraph.".

(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1632 the following new item:

"1633. Apprenticeship or other on-job training.".

(d) Section 1641 is amended—

(1) by inserting "(a)" before "The";

(2) by striking out "sections 1777, 1780(c), and 1787) shall be applicable to the program." and inserting in lieu thereof "section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training while serving on active duty."; and

(3) by adding at the end the following new subsection:

"(b) The provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1683, and 1691(a)(1) of this title and the provisions of chapter 36 of this title (with the exception of section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training following discharge or release from active duty.".

### DURATION AND LIMITATIONS ON ENTITLEMENT TO POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE

SEC. 207. Section 1632 is amended to read as follows:

"(a)(1) Except as provided in paragraphs (2) and (3) of this subsection, educational assistance benefits shall not be afforded an eligible veteran under this chapter more than 10 years after the date of such veteran's last discharge or release from active duty.

"(2)(A) If any eligible veteran was prevented from initiating or completing such veteran's chosen program of education during the delimiting period determined under paragraph (1) of this subsection because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made in accordance with subparagraph (B) of this paragraph, be granted an extension of the applicable delimiting period for such length of time as the Administrator determines, from the evidence, that such veteran was so prevented from initiating or completing such program of education.

"(B) An extension of the delimiting period applicable to an eligible veteran may be granted under subparagraph (A) of this paragraph by reason of the veteran's mental or physical disability only if the veteran submits an application for such extension to the Administrator within 1 year after (i) the last date of the delimiting period otherwise applicable to the veteran under paragraph (1) of this subsection, or (ii) the termination date of the period of the veteran's mental or physical disability, whichever is later.

"(3) When an extension of the applicable delimiting period is granted an eligible veteran under paragraph (2) of this subsection, the delimiting period with respect to such veteran shall again begin to run on the first day after such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations prescribed by the Administrator, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(b)(1) In the event that an eligible veteran has not utilized any or all of such veteran's entitlement by the end of the delimiting period applicable to the veteran under subsection (a) of this section, such eligible veteran is automatically disenrolled.

"(2)(A) Any contributions which were made by a veteran disenrolled under paragraph (1) of this subsection and remain in the fund shall be refunded to the veteran after notice of disenrollment is transmitted to the veteran and the veteran applies for such refund.

"(B) If an application for refund of contributions under subparagraph (A) of this paragraph is received from a disenrolled veteran within 1 year after the date the notice referred to in such subparagraph is transmitted to the veteran, it shall be presumed, for the purposes of section 1322(a) of title 31, that the veteran's whereabouts is unknown and the funds shall be transferred as provided in such section.".

### EDUCATIONAL AND VOCATIONAL COUNSELING

SEC. 208. Section 1663 is amended by inserting after the first sentence the following: "In any case in which the Administrator has rated the veteran as being incompetent, such counseling shall be required to be provided to the veteran prior to the selection of a program of education or training.".

### DELIMITING PERIOD UNDER THE SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 209. Section 1712(b) is amended by adding at the end the following new paragraph (3):

"(3)(A) Notwithstanding the provisions of paragraph (1) of this subsection, any eligible person (as defined in clause (B), (C), or (D) of section 1701(a)(1) of this title) may, subject to the approval of the Administrator, be permitted to elect a date referred to in subparagraph (B) of this paragraph to commence receiving educational assistance benefits under this chapter. The date so elected shall be the beginning date of the delimiting period applicable to such person under this section.

"(B) The date which an eligible person may elect under subparagraph (A) of this paragraph is any date during the period beginning on the date the person became an eligible person within the meaning of clause (B), (C), or (D) of section 1701(a)(1) of this title and ending on the date determined under subparagraph (A), (B), or

(C) of paragraph (1) of this subsection to be applicable to such person.".

### ELIMINATION OF THE REQUIREMENT FOR AN EDUCATION PLAN FOR SURVIVORS AND DEPENDENTS

SEC. 210. (a) Section 1720 is amended to read as follows:

**"§ 1720. Educational and vocational counseling**

"The Administrator may, upon request, arrange for educational or vocational counseling for persons eligible for benefits under this chapter to assist such persons in selecting their educational, vocational, or professional objectives and in developing their programs of education.".

(b)(1) Section 1721 is amended—

(A) by striking out "finally";

(B) by striking out clause (1); and

(C) by redesignating clauses (2), (3), (4), and (5) as clauses (1), (2), (3), and (4), respectively.

(2) The catchline of such section is amended to read as follows:

**"§ 1721. Approval of application".**

(c) The items relating to sections 1720 and 1721 in the table of sections at the beginning of chapter 35 are amended to read as follows:

"1720. Educational and vocational counseling.
"1721. Approval of application.".

### MEASUREMENT OF CERTAIN NONCOLLEGE DEGREE COURSES

SEC. 211. (a)(1) Section 1780(a) is amended—

(A) in clause (1), by inserting a comma and "or a course that meets the requirements of section 1788(a)(7) of this title," after "degree"; and

(B) in clause (2), by inserting "courses that meet the requirements of section 1788(a)(7) of this title and" after "excluding".

(2) Section 1788 is amended—

(1) in subsection (a)—

(A) by striking out "and" at the end of clause (5);

(B) by striking out the period at the end of clause (6) and inserting in lieu thereof a semicolon and "and"; and

(C) by inserting after clause (6) the following new clause:

"(7) an institutional course not leading to a standard college degree, offered by an institution of higher learning in residence on a standard quarter- or semester-hour basis, shall be measured as full time on the same basis as provided in clause (4) of this subsection if (A) such course is approved pursuant to section 1775 of this title, and (B) a majority of the total credits required for the course is derived from unit courses or subjects offered by the institution as part of a course, so approved, leading to a standard college degree."; and

(2) in subsection (c), by striking out "(4)".

(b) Section 1788 is amended by inserting at the end the following new subsection:

"(e) For the purpose of determining whether a course—

"(1) which is offered by an institution of higher learning, and

"(2) for which such institution requires one or more unit courses or subjects for which credit is granted toward a standard college degree

will, during the semester (or quarter or other applicable portion of the academic year) when such unit course or subject is being pursued, be considered full time under clause (1) or (2) of subsection (a) of this section, each of the numbers of hours specified in such clause shall be deemed to be reduced, during such semester (or other portion of the academic year), by the percentage described in the following sentence and rounded as the Administrator may prescribe. Such percentage is the percentage that the number of semester hours (or the equivalent thereof) represented by such unit course or subject is of the number of semester hours (or the equivalent thereof) which, under clause (4) of such subsection, constitutes a full-time institutional undergraduate course at such institution."

### PAYMENT OF EDUCATIONAL ASSISTANCE FOR CERTAIN LESS-THAN-HALF-TIME TRAINING

SEC. 212. The first sentence of section 1780(f) is amended by striking out "during" and inserting in lieu thereof "not later than the last day of".

### PROHIBITION ON BENEFITS UNDER MORE THAN ONE EDUCATIONAL ASSISTANCE PROGRAM

SEC. 213. Section 1781(b) is amended by striking out "for the pursuit of the same program of education".

### REPORTING REQUIREMENTS FOR EDUCATIONAL INSTITUTIONS

SEC. 214. Section 1784(a) is amended—

(1) by striking out "(a) The" and inserting in lieu thereof "(a)(1) Except as provided in paragraph (2) of this subsection, the"; and

(2) by adding at the end the following new paragraph (2):

"(2) In the case of a program of independent study pursued on less than a half-time basis in an educational institution, the Administrator may approve a delay by the educational institution in reporting the enrollment or reenrollment of an eligible veteran or eligible person until the end of the term, quarter, or semester if the educational institution requests the delay and the Administrator determines that it is not feasible for the educational institution to monitor interruption or termination of the veteran's or eligible person's pursuit of such program.".

### PROHIBITION OF A TERM-BY-TERM CERTIFICATION REQUIREMENT

SEC. 215. Section 1784(a) (as amended by section 214 of this Act) is further amended by adding at the end the following new paragraph (3):

"(3)(A) Subject to subparagraph (B), an educational institution offering courses on a term, quarter, or semester basis may certify the enrollment of a veteran who is not on active duty or an eligible person in such courses for more than one term, quarter, or semester at a time, but not for a period extending beyond the end of a school year (including the summer enrollment period).

"(B) Subparagraph (A) of this paragraph shall not apply with respect to any term, quarter, or semester for which the veteran or eligible person is enrolled on a less than half-time basis and shall not be construed as restricting the Administrator from requiring that an educational institution, in reporting an enrollment for more than one term, quarter, or semester, specify the dates of any intervals within or between any such terms, quarters, or semesters.".

### COMMISSION TO ASSESS VETERANS' EDUCATION POLICY

SEC. 216. (a)(1) There is established a Commission on Veterans' Education Policy (hereafter in this section referred to as the "Commission").

(2)(A) The Commission shall consist of 11 members, 10 of whom shall be appointed by the Administrator of Veterans' Affairs in consultation with the chairmen and the ranking minority members of the Committees on Veterans' Affairs of the Senate and of the House of Representatives (hereafter in this section referred to as "the Committees"), and 1 of whom shall be the Chairman of the Advisory Committee on Education established under section 1792 of title 38, United States Code.

(B) The members of the Commission (i) shall be broadly representative of entities engaged in providing education and training and of veterans' service organizations, and (ii) shall be selected on the basis of their knowledge of and experience in education and training policy and the implementation of such policy with respect to programs of assistance administered by the Veterans' Administration.

(3) The Administrator of Veterans' Affairs, the ex officio members of the Advisory Committee on Education referred to in paragraph (2)(A), and the chairmen and ranking minority members of the Committees, or a designee of any such individual, shall be ex officio, nonvoting members of the Commission.

(4)(A) The Administrator shall designate a member from among the voting members of the Commission to chair the Commission.

(B) The chairperson of the Commission, with the concurrence of the Commission, shall appoint an executive director, who shall be the chief executive officer of the Commission and shall perform such duties as are prescribed by the Commission.

(C) The Administrator shall furnish the Commission with such professional, technical, and clerical staff and services as the Commission determines necessary for the Commission to carry out the provisions of this section effectively.

(b)(1) Not later than 18 months after the date on which at least 8 members of the Commission have been appointed, the Commission shall submit a report on the Commission's findings and recommendations on the matters described in paragraph (2) of this subsection to the Administrator and the Committees.

(2) The report required by paragraph (1) shall include the Commission's findings, views, and recommendations on the following matters:

(A) The need for distinctions between certificate-granting courses and degree-granting courses.

(B) The measurement of courses for the purposes of payment of educational assistance benefits.

(C) The vocational value of courses offered through home study.

(D) The role of innovative and nontraditional programs of education and the manner in which such programs should be treated for purposes of payment of educational assistance benefits by the Veterans' Administration.

(E) Such other matters relating to administration of chapters 30, 31, 32, 34, 35, and 36 of title 38, United States Code, by the Veterans' Administration as (i) the Commission considers appropriate or necessary, or (ii) are suggested by the Administrator or, concurrently, by the chairmen and ranking minority members of the Committees.

(c)(1) Not later than 6 months after the date on which the report is submitted under subsection (b), the Administrator shall submit an interim report to the Committees. The interim report shall contain—

(A) the Administrator's views on the desirability, feasibility, and cost of implementing each of the Commission's recommendations, and the actions taken or planned with respect to the implementation of such recommendations;

(B)(i) the Administrator's views on any legislation or regulations proposed by the Commission, (ii) the Administrator's views on the need for any alternative or additional legislation or regulations to implement the Commission's recommendations, (iii) the Administrator's recommendations for any such alternative or additional legislation, (iv) the proposed text of any regulations referred to in subclause (i) or (ii) which the Administrator considers necessary and the proposed text of any legislation referred to in such subclause which is recommended by the Administrator, and (v) a cost estimate for the implementation of any regulations and legislation referred to in such subclause; and

(C) any other proposals that the Administrator considers appropriate considering the Commission's report.

(2) Not later than 90 days after the date on which the Administrator's interim report is submitted under paragraph (1), the Commission shall submit a report to the Administrator and the Committees containing the Commission's views on the Administrator's interim report.

(3) Not later than 2 years after the date on which the Commission's report is submitted under subsection (b), the Administrator shall submit a final report to the Committees. The final report shall include the actions taken with respect to the recommendations of the Commission and any further recommendations the Administrator considers appropriate.

(d) The Commission shall terminate 90 days after the date on which the Administrator submits the final report required by subsection (c)(3).

### TECHNICAL AMENDMENTS

SEC. 217. (a) Section 1431(e)(2) is amended by inserting "not" after "educational institution".

(b)(1) The catchline of section 1631 is amended to read as follows:

**"§ 1631. Entitlement; payment of benefits".**

(2) The table of sections at the beginning of chapter 32 is amended by striking out the item relating to section 1631 and inserting in lieu thereof the following:

"1631. Entitlement; payment of benefits.".

(c) Section 1781(b)(2) is amended by striking out "Chapter 107" and inserting in lieu thereof "Chapters 106 and 107".

## TITLE III—SPECIALLY ADAPTED HOUSING AND HOME LOAN GUARANTY PROGRAM IMPROVEMENTS

### SPECIALLY ADAPTED HOUSING

SEC. 301. (a) Section 801(b)(1) is amended by inserting before the period at the end the following: "or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran because of such disability".

(b) Section 802(b)(1) is amended by striking out "cost" and inserting in lieu thereof "cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,".

### CREDIT UNDERWRITING AND LOAN PROCESSING STANDARDS

SEC. 302. (a) Section 1810(b)(3) is amended by inserting a comma and "as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section" before the semicolon at the end.

(b) Section 1810 is further amended by adding at the end the following new subsection:

"(g)(1) For the purposes of this subsection, the term 'veteran', when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.

"(2) For the purpose of determining whether a veteran meets the standards referred to in subsection (b)(3) of this section and section 1819(e)(2) of this title, the Administrator shall prescribe regulations which establish—

"(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and

"(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.

"(3) In the regulations prescribed under paragraph (2) of this subsection, the Administrator shall establish standards that—

"(A) include—

"(i) debt-to-income ratios to apply in the case of the veteran applying for the loan;

"(ii) criteria for evaluating the reliability and stability of the income of the veteran applying for the loan; and

"(iii) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms; and

"(B) are designed to be in accordance with the loan underwriting principles and application procedures generally accepted and used by commercial lending institutions with respect to loans with comparable security arrangements.

"(4)(A) Any lender making a loan under this chapter shall certify, in such form as the Administrator shall prescribe, that the lender has complied with the credit information and loan processing standards established under paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the loan meets the underwriting standards established under paragraph (2)(A) of this subsection.

"(B) Any lender who knowingly and willfully makes a false certification under subparagraph (A) of this paragraph shall be liable to the United States Government for a civil penalty equal to two times the amount of the Administrator's loss on the loan involved or to another appropriate amount, not to exceed $10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Administrator.

"(5) Pursuant to regulations prescribed to carry out this paragraph, the Administrator may, in extraordinary situations, waive the application of the credit underwriting standards established under paragraph (2) of this subsection when the Administrator determines, considering the totality of circumstances, that the veteran is a satisfactory credit risk.".

(c) Section 1816 is amended by adding at the end the following new subsection:

"(e) The Administrator may not make a loan to finance a purchase of property acquired by the Administrator as a result of a default on a loan guaranteed under this chapter unless the purchaser meets the credit underwriting standards established under section 1810(g)(2)(A) of this title.".

(d) Section 1819(e)(2) is amended by inserting "as determined in accordance with the regulations prescribed under section 1810(g) of this title and" after "credit risk,".

### LOAN GUARANTY AMOUNT

SEC. 303. (a) Section 1810(c) is amended by striking out "$27,500" and inserting in lieu thereof "$33,500".

(b) Section 1811(d)(2)(A) is amended by striking out "$27,500" each place it appears and inserting in lieu thereof "$33,500".

### DEFAULT NOTIFICATION AND FORECLOSURE PROCEDURES; FORECLOSURE INFORMATION

SEC. 304. (a) Section 1816(a)(1) is amended by striking out the first sentence and inserting in lieu thereof the following: "The holder of a loan guaranteed under this chapter shall promptly notify the Administrator of any failure of the debtor under the loan to make in full two monthly payments due on the loan.

Within 15 days after the date on which the Administrator receives such notification, the Administrator shall notify the veteran of the requirement set forth in paragraph (4) of this subsection.".

(b) Section 1816(a) is further amended by adding at the end the following new paragraph:

"(4) Except as provided in paragraph (2) of this subsection, not later than 15 days after the first date on which a veteran has failed to make in full four monthly payments due on any loan guaranteed under this chapter, the holder of the loan shall initiate foreclosure.".

(c) Section 1816 is further amended by adding at the end the following new subsections:

"(e) If a holder of a loan guaranteed under this chapter fails to initiate foreclosure on the loan as required by subsection (a)(4) of this section, the Administrator shall not be liable under the guaranty for interest accruing on such loan during the period beginning on the date the holder should have initiated the foreclosure and ending on the date the holder initiates the foreclosure.

"(f)(1) The Administrator shall identify and compile information on common factors which the Administrator finds contribute to foreclosures on loans guaranteed under this chapter.

"(2) The Administrator shall include the Administrator's findings under paragraph (1) of this subsection in the annual report submitted to the Congress under section 214 of this title.".

### COMPETITIVE CONTRACTING REQUIREMENTS

SEC. 305. Section 1820(b) is amended by striking out "$1,000" and inserting in lieu thereof "the amount prescribed in clause (1) of the first sentence of such section".

### AUTHORITY TO TRANSFER FUNDS

SEC. 306. Section 1823 is amended by adding at the end the following new subsection:

"(d)(1) The Secretary of the Treasury shall transfer from the direct loan revolving fund to the loan guaranty revolving fund established by section 1824(a) of this title such amounts as the Administrator determines are not needed in the direct loan revolving fund.

"(2) Not later than 30 days after the date on which the Administrator makes a transfer under paragraph (1) of this subsection, the Administrator shall submit a notice of such transfer to the appropriate committees of the Congress.".

### USE OF ATTORNEYS IN HOME LOAN FORECLOSURES

SEC. 307. The second sentence of section 1830(a) is amended by striking out "With the concurrence of the Attorney General of the United States, the" and inserting in lieu thereof "The".

### APPRAISALS

SEC. 308. (a) Subchapter III of chapter 37 is amended by adding at the end the following new section 1831:

**"§ 1831. Appraisals**

"(a) The Administrator shall—

"(1) prescribe—

"(A) standardized examinations on appraising, taking into consideration local appraising practices; and

"(B) uniform qualifications for appraisers;

"(2) use such examinations and qualifications in determining whether to approve an appraiser to make appraisals of the reasonable value of any property, construction, repairs, or alterations for the purposes of this chapter; and

"(3) in consultation with appropriate representatives of institutions which are regularly engaged in making housing loans, develop and maintain a list of appraisers who are approved under clause (2) of this subsection to make appraisals for the purposes of this chapter.

"(b) The Administrator shall select appraisers from the list required by subsection (a)(3) of this section on a rotating basis to make appraisals for the purposes of this chapter.

"(c) The Administrator shall furnish a copy of the appraisal made of property for the purposes of this chapter to the lender proposing to make the loan which is to be secured by such property and is to be guaranteed under this chapter.

"(d) If a lender—

"(1) has proposed to make a loan to be guaranteed under this chapter,

"(2) has been furnished an appraisal of the reasonable value of any property or of any construction, repairs, or alterations of property which is to be the security for such loan, as required by subsection (c) of this section, and

"(3) within a reasonable period prescribed by the Administrator, has furnished to the Administrator an additional appraisal of the reasonable value of such property, construction, repairs, or alterations which was made by an appraiser selected by the lender from the list required by subsection (a)(3) of this section,

the Administrator shall consider both the initial appraisal and the additional appraisal before issuing a certificate of reasonable value of such property, construction, repairs, or alterations.

"(e) The Administrator shall establish such appraisal fee limitations as the Administrator considers appropriate to ensure that appraisers making appraisals in any locality for the purposes of this chapter are paid a fee which is comparable to fees generally paid for other comparable appraisals in such locality.".

(b) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1830 the following new item:

"1831. Appraisals.".

### FURNISHING INFORMATION TO REAL ESTATE PROFESSIONALS TO FACILITATE THE DISPOSITION OF PROPERTIES

SEC. 309. (a) Subchapter III of chapter 37 (as amended by section 308 of this Act) is further amended by adding at the end the following new section 1832:

### "§ 1832. Furnishing information to real estate professionals to facilitate the disposition of properties

"The Administrator shall furnish to real estate brokers and other real estate sales professionals information on the availability of real property for disposition under this chapter and the procedures used by the Veterans' Administration to dispose of such property.".

(b) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1831, as added by section 308(b) of this Act, the following new item:

"1832. Furnishing information to real estate professionals to facilitate the disposition of properties.".

### TASK FORCE ON MANAGEMENT AND DISPOSITION OF PROPERTY

SEC. 310. (a)(1) Not later than 90 days after the date of the enactment of this Act, the Administrator of Veterans' Affairs shall establish a task force to be known as the Task Force on Management and Disposition of Property (hereafter in this section referred to as the "Task Force"). The Task Force shall terminate 3 years after the date on which the Task Force is established.

(2) The purposes of the Task Force are—

(A) to develop effective methods for the exchange of information between the Veterans' Administration and the real estate industry on efficient real property management and disposition practices and new developments in such practices; and

(B) to advise the Administrator on ways to improve the manner in which the Veterans' Administration manages and disposes of real property acquired under chapter 37 of title 38, United States Code.

(3) The members of the Task Force shall be appointed by the Administrator and shall include—

(A) appropriate representatives of the Veterans' Administration;

(B) real estate brokers and other real estate sales professionals; and

(C) representatives of commercial residential real property management organizations.

(4) The Administrator shall designate one member to chair the Task Force.

(5) The Administrator shall prescribe the number and terms of service of members of the Task Force.

(b) The Administrator shall, on a regular basis, consult with and seek the advice of the Task Force with respect to matters relating to the purposes of the Task Force.

(c)(1)(A) Not later than 16 months after the date on which the Task Force is established under subsection (a), the Task Force shall submit to the Administrator a report on the activities of the Task Force during the preceding year.

(B) Not later than the day before the date on which the Task Force terminates, the Task Force shall submit to the Administrator a final report on the activities of the Task Force.

(C) Each report required by this paragraph shall include such recommendations relating to the purposes of the Task Force as the Task Force considers appropriate.

(2) The Task Force may also submit to the Administrator such other reports relating to the purposes of the Task Force as the Task Force considers appropriate and may include recommendations with respect to matters relating to such purposes in such reports.

(d) Not later than 60 days after the date on which the Administrator receives a report required by subsection (c)(1) of this section, the Administrator shall submit such report, together with such comments and recommendations as the Administrator considers appropriate, to the Committees on Veterans' Affairs of the Senate and the House of Representatives

### PROPERTY MANAGEMENT AND DISPOSAL PILOT PROGRAM

SEC. 311. (a) In order to evaluate the effectiveness, feasibility, and desirability of contracting with commercial organizations to perform the functions of management and disposal of properties acquired by the Veterans' Administration under chapter 37 of title 38, United States Code, the Administrator of Veterans' Affairs, during the period beginning April 1, 1986, and ending September 30, 1987, shall conduct a pilot program under which the Administrator shall contract with one or more qualified commercial organizations for the performance of such functions.

(b) In order to carry out the pilot program under this section, the Administrator shall—

(1) designate a representative nationwide sample of 10 percent of the inventory of properties held by the Veterans' Administration and referred to in subsection (a); and

(2) enter into contracts with one or more qualified commercial organizations to manage the properties in the designated sample and to dispose of such properties through the use of local real estate brokers and other real estate sales professionals.

(c) Not later than February 1, 1988, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the experience under the pilot program. The report shall include—

(1) the Administrator's assessment of the cost effectiveness of the program taking into account—

(A) the effectiveness of the program in providing quality management and timely disposition of properties acquired by the Veterans' Administration under chapter 37 of title 38, United States Code; and

(B) a comparison of the cost of the program with the cost of management and disposal of properties by the Veterans' Administration under such chapter;

(2) a description of the effects, if any, which the program had on the functions and duties performed by employees of the Veterans' Administration; and

(3) any recommendations for legislation which the Administrator considers appropriate.

### EFFECTIVE DATES

SEC. 312. (a) The amendments made by sections 302, 303, 304, and 308 shall take effect September 1, 1986.

(b) The amendments made by section 301 shall apply with respect to residences acquired after the date of the enactment of this Act.

## TITLE IV—NATIONAL CEMETERY SYSTEM

### NATIONAL CEMETERY GRAVE MARKERS

SEC. 401. (a) Section 1004(c) is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end the following new paragraphs (2) and (3):

"(2)(A) Except as provided in subparagraph (B) of this paragraph, the Administrator shall designate a section in each national cemetery in which persons eligible for interment may be buried in graves to be marked with upright grave markers pursuant to paragraph (3)(B) of this subsection.

"(B) Subparagraph (A) shall not apply to a national cemetery established before January 1, 1986, if the Administrator has never, before that date, authorized graves in such cemetery to be marked with upright markers.

"(3)(A) Except as provided in subparagraph (B) of this paragraph, each marker in a national cemetery shall be flat.

"(B) If a person to be buried in a national cemetery (or the survivor or the legal representative of such person) has requested that the person's grave be marked with an upright marker and space is available in a section designated under paragraph (2)(A) of this section for graves marked with upright markers, the person shall be buried in such section and an upright marker shall be used to mark the grave.".

(b) The amendments made by subsection (a) shall apply with respect to markers for the graves of persons who die on or after July 1, 1986.

### REPORT ON THE NATIONAL CEMETERY SYSTEM

SEC. 402. (a) Not later than 18 months after the date of the enactment of this Act, the Administrator of Veterans' Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the National Cemetery System established by section 1000 of title 38, United States Code. The Administrator shall submit a second such report not later than 60 months after such date.

(b) Each report required by subsection (a) shall include—

(1) a plan for the operation of the National Cemetery System through the year 2000, including a description of anticipated general trends relating to the operation of the National Cemetery System between the years 2000 and 2020 and a discussion of the provisions of the plan which were developed in response to those trends;

(2) a list, in order of priority, of the 10 geographic areas in the United States in which the need for additional burial space for veterans is greatest;

(3) assessments of the desirability and feasibility of acquiring existing State veterans' cemeteries in the geographic areas identified on the list described in clause (2) and of the role of State veterans' cemeteries generally in meeting the needs for burial space for veterans; and

(4) general plans (including projected costs, site location, and, if appropriate, necessary land acquisition) for any anticipated expansion of the National Cemetery System, including plans for meeting (A) the need for burial space for veterans in each geographic area identified on the list described in clause (2), and (B) the need for burial space in cemeteries other than cemeteries in the National Cemetery System in those areas.

### MEMORIAL AREAS IN ARLINGTON NATIONAL CEMETERY

SEC. 403. (a) Chapter 75 of title 10, United States Code, is amended by adding at the end the following new section 1491:

**"§ 1491. Memorial areas in Arlington National Cemetery**

"(a) The Secretary of the Army may set aside, when available, a suitable area or areas in Arlington National Cemetery, Virginia, to honor the memory of members of the armed forces and veterans (as defined in section 101(2) of title 38)—

"(1) who are missing in action;

"(2) whose remains have not been recovered or identified;

"(3) whose remains were buried at sea, whether by the member's or veteran's own choice or otherwise;

"(4) whose remains were donated to science; or

"(5) whose remains were cremated and whose ashes were scattered without interment of any portion of the ashes.

"(b) Under regulations prescribed by the Secretary, appropriate memorials or markers may be erected in Arlington National Cemetery to honor the memory of those individuals, or group of individuals, referred to in subsection (a).".

(b) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1491. Memorial areas in Arlington National Cemetery.".

## TITLE V—MISCELLANEOUS PROVISIONS

### CLARIFICATION OF REQUIREMENT FOR A DETAILED PLAN AND JUSTIFICATION FOR ADMINISTRATIVE REORGANIZATION

SEC. 501. (a) Subparagraph (C) of section 210 (b)(2) is amended by inserting at the end the following new division:

"(iii) The term 'detailed plan and justification' means, with respect to an administrative reorganization, a written report which, at a minimum—

"(I) specifies the number of employees by which each covered office or facility affected is to be reduced, the responsibilities of those employees, and the means by which the reduction is to be accomplished;

"(II) identifies any existing or planned office or facility at which the number of employees is to be increased and specifies the number and responsibilities of the additional employees at each such office or facility;

"(III) describes the changes in the functions carried out at any existing office or facility and the functions to be assigned to an office or facility not in existence on the date that the plan and justification are submitted pursuant to subparagraph (A) of this paragraph;

"(IV) explains the reasons for the determination that the reorganization is appropriate and advisable in terms of the statutory missions and long-term goals of the Veterans' Administration;

"(V) describes the effects that the reorganization may have on the provision of benefits and services to veterans and dependents of veterans (including the provision of benefits and services through offices and facilities of the Veterans' Administration not directly affected by the reorganization); and

"(VI) provides estimates of the costs of the reorganization and of the cost impact of the reorganization, together with analyses supporting those estimates.".

(b)(1) Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect with respect to administrative reorganizations proposed to be carried out in fiscal years beginning after fiscal year 1986.

(2) The amendment made by subsection (a) applies to the administrative reorganization referred to in the letters from the Administrator of Veterans' Affairs to the Committees on Veterans' Affairs of the Senate and the House of Representatives, dated February 1, 1985, relating to the consolidation of certain Veterans' Administration Department of Veterans' Benefits activities from 59 regional offices into three processing centers.

### DEFINITION OF VIETNAM ERA

SEC. 502. Section 101(29) is amended to read as follows:

"(29) The term 'Vietnam era' means (A) the period beginning on August 5, 1964, and ending on May 7, 1975, or (B) the period beginning on February 21, 1961, and ending on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during such period.".

### EFFECT OF PAYMENT FOR THERAPEUTIC AND REHABILITATION ACTIVITIES ON PENSION ENTITLEMENT

SEC. 503. (a) Section 618 is amended by adding at the end the following new subsection:

"(g) Notwithstanding any other provision of law, no amount of remuneration provided to an individual as a participant in a therapeutic or rehabilitative activity carried out pursuant to this section shall be included in determining annual income for purposes of pension payments under laws administered by the Administrator.".

(b) The amendment made by subsection (a) shall take effect with respect to pension payments made on or after January 1, 1986.

### ESTATE LIMITATIONS RELATING TO INCOMPETENT INSTITUTIONALIZED VETERANS

SEC. 504. Section 3203(b)(1)(A) is amended—

(1) by striking out "$1,500" and inserting in lieu thereof "$6,000"; and

(2) by striking out "$500" and inserting in lieu thereof "$2,000".

### EVALUATION OF THE NEEDS OF NATIVE AMERICAN VETERANS

SEC. 505. (a)(1) Not later than February 1, 1986, the Administrator of Veterans' Affairs shall establish an advisory committee to conduct an evaluation to determine the extent to which the programs and other activities of the Veterans' Administration meet the needs of veterans who are Native Americans, including Alaska Natives (as defined in section 3(b) of the Alaska Native Claims Settlement Act (85 Stat. 689; 43 U.S.C. 1602(b)).

(2) The advisory committee shall consist of—

(A) the Secretary of Labor (or a representative of the Secretary of Labor designated by the Secretary after consultation with the Assistance Secretary of Labor for Veterans' Employment);

(B) the Chief Medical Director and Chief Benefits Director of the Veterans' Administration or their representatives; and

(C) members appointed by the Administrator from the general public, including—

(i) representatives of veterans who are Native Americans, including Alaska Natives and those with service-connected disabilities; and

(ii) individuals who are recognized authorities in fields pertinent to the needs of veterans described in subclause (i), including specific health care needs of such veterans and the delivery of health care services by the Veterans' Administration to such veterans.

(b) The evaluation required by subsection (a)(1) shall include—

(1) an assessment of the needs of the veterans described in subsection (a)(1) for health care, rehabilitation, readjustment counseling, drug and alcohol counseling, outreach services, and other benefits and assistance under programs administered by the Veterans' Administration; and

(2) a review of the manner in which and the extent to which the programs and other activities of the Veterans' Administration meet such needs.

(c)(1)(A) Not later than August 1, 1987, the advisory committee shall submit to the Administrator a report containing the findings and any recommendations of the advisory committee on the matters described in subsection (b).

(B) Not later than August 1, 1988, the advisory committee shall submit to the Administrator a report containing any views developed by the advisory committee after August 1, 1987, on the recommendations included in the report required by subparagraph (A) and the views of the advisory committee on any actions taken by the Administrator on such recommendations.

(2)(A) Not later than October 1, 1987, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives the report submitted by the advisory committee to the Administrator under paragraph (1), together with any comments on the report and recommendations relating to such report that the Administrator considers appropriate.

(B) Not later than October 1, 1988, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives the report submitted by the advisory committee to the Administrator under paragraph (1)(B), together with any comments and recommendations relating to the report that the Administrator considers appropriate.

(d) The Administrator shall determine the number and pay and allowances of members of the advisory committee appointed by the Administrator.

(e) The advisory committee shall terminate 90 days after the date on which the Administrator submits the report required by subsection (c)(2)(B).

### COLLOCATION OF REGIONAL OFFICES AND MEDICAL CENTERS; ASSESSMENT OF COMBINING NEARBY REGIONAL OFFICES

SEC. 506. (a)(1) Not later than June 1, 1986, the Administrator of Veterans' Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a plan, including a schedule, for collocating at least 7 regional offices of the Veterans' Administration described in paragraph (3) with Veterans' Administration medical centers on the grounds of such medical centers. The plan and schedule shall provide for the collocations to be commenced and completed as soon as practicable.

(2) The plan required by paragraph (1) shall include—

(A) an analysis of the estimated costs and savings which would result from the collocations;

(B) the advantages and costs of furnishing personnel, supply, administration, and finance services and other supporting services jointly to regional offices of the Veterans' Administration and Veterans' Administration medical centers; and

(C) any other advantages and any disadvantages of such collocations relating to costs and the provision of benefits and services to veterans.

(3) The regional offices referred to in paragraphs (1) and (2) are regional offices of the Veterans' Administration which are not located at Veterans' Administration medical centers on the date of the enactment of this Act.

(b) The Administrator of Veterans' Affairs may submit together with the plan submitted under subsection (a) any assessment that the Administrator has made of the advantages, disadvantages, and costs of combining regional offices of the Veterans' Administration which, on the date of enactment of this Act, are located near each other.

### VIETNAM EXPERIENCE STUDY OF THE HEALTH STATUS OF WOMEN VIETNAM VETERANS

SEC. 507. (a)(1)(A) Except as provided in paragraph (2), the Administrator of Veterans' Affairs shall provide, through contracts or other agreements with private or public agencies or persons, for the conduct of an epidemiological study of any long-term, adverse, and gender-specific health effects and other health effects which have been experienced by women who served in the Armed Forces of the United States in the Republic of Vietnam during the Vietnam era and which may have resulted from (i) traumatic experiences, (ii) from exposure to phenoxy herbicides (including the herbicide known as Agent Orange), to other herbicides, chemicals, or medications that may have deleterious health effects, or to environmental hazards during such service, or (iii) from any other similar experience or exposure during such service.

(B) The Administrator may also include in the study conducted under subparagraph (A) an evaluation of the means of detecting and treating long-term, adverse, and gender-specific health effects and other health effects found through the study.

(2)(A) If the Administrator, in consultation with the Director of the Office of Technology Assessment, determines that it is not feasible to conduct a scientifically valid study of an aspect of the matters described in paragraph (1)(A)—

(i) the Administrator shall promptly submit to the appropriate committees of the Congress a notice of that determination and the reasons for the determination; and

(ii) the Director, not later than 60 days after the date on which such notice is submitted to the committees, shall submit to such committees a report evaluating and commenting on such determination.

(B) The Administrator is not required to study any aspect with respect to which a determination or determinations have been made and a notice or notices have been submitted pursuant to subparagraph (A)(i).

(C) If the Administrator notifies the Congress of a determination made pursuant to subparagraph (A) that it is not scientifically feasible to conduct the study described in paragraph (1)(A), this section shall cease to be effective as if the section were repealed by law on the date of the notification under this subparagraph.

(b)(1) The study required by subsection (a) shall be conducted in accordance with a protocol approved by the Director of the Office of Technology Assessment.

(2) Not later than April 1, 1986, the Administrator shall publish a request for proposals for the design of the protocol to be used in conducting the study under this section.

(3) In considering any protocol for use or approval under this section, the Administrator and the Director shall take into consideration the protocol approved under section 307(a)(2)(A)(i) of the Veterans Health Programs Extension and Improvement Act of 1979 (Public Law 96-151; 93 Stat. 1097; 38 U.S.C. 219 note), and the experience under the study being conducted pursuant to that protocol.

(c)(1) Concurrent with the approval or disapproval of any protocol under subsection (b)(1), the Director shall submit to the appropriate committees of the Congress a report—

(A) explaining the reasons for the Director's approval or disapproval of the protocol, as the case may be; and

(B) containing the Director's conclusions regarding the scientific validity and objectivity of the protocol.

(2) If the Director has not approved a protocol under subsection (b)(1) by the last day of the 180-day period beginning on the date of the enactment of this Act, the Director—

(A) shall, on such day, submit to the appropriate committees of the Congress a report describing the reasons why the Director has not approved such a protocol; and

(B) shall submit to such committees an updated report on the report required by clause (A) each 60 days thereafter until such a protocol is approved.

(d)(1) In order to ensure compliance with the protocol approved under subsection (b)(1)(A), the Director shall monitor the conduct of the study under subsection (a).

(2)(A) The Director shall submit to the appropriate committees of the Congress, at each of the times specified in subparagraph (B), a report on the Director's monitoring of the conduct of the study pursuant to paragraph (1).

(B) A report shall be submitted under subparagraph (A)—

(i) before the end of the 6-month period beginning on the date on which the Director approves the protocol referred to in paragraph (1);

(ii) before the end of the 12-month period beginning on such date; and

(iii) annually thereafter until the study is completed or terminated.

(e) The study conducted pursuant to subsection (a) shall be continued for as long after the date on which the first report is submitted under subsection (f)(1) as the Administrator determines that there is a reasonable possibility of developing, through such study, significant new information on the health effects described in subsection (a)(1)(A).

(f)(1) Not later than 24 months after the date of the approval of the protocol pursuant to subsection (b)(1)(A) and annually thereafter, the Administrator shall submit to the appropriate committees of the Congress a report containing—

(A) a description of the results obtained before the date of such report under the study conducted pursuant to subsection (a); and

(B) any administrative actions or recommended legislation, or both, and any additional comments which the Administrator considers appropriate in light of such results.

(2) Not later than 90 days after the date on which each report required by paragraph (1) is submitted, the Administrator shall publish in the Federal Register for public review and comment a description of any action that the Administrator plans or proposes to take with respect to programs administered by the Veterans' Administration based on (A) the results described in such report, (B) the comments and recommendations received on that report,

and (C) any other available pertinent information. Each such description shall include a justification or rationale for the planned or proposed action.

(g) For the purposes of this section—

(1) the term "gender-specific health effects" includes (A) effects on female reproductive capacity and reproductive organs, (B) reproductive outcomes, (C) effects on female-specific organs and tissues, and (D) other effects unique to the physiology of females; and

(2) the term "Vietnam era" has the meaning given such term in section 101(29) of title 38, United States Code.

## INTRODUCTION

On October 24, 1985, The Chairman of the Committee, Senator Murkowski, introduced for himself and Senator Thurmond S. 1788, to provide for a 3.7-percent cost of living adjustment in the rates of disability compensation and dependency and indemnity compensation (DIC); to improve veterans' education benefits; to improve the Veterans' Administration home loan guaranty program; to improve national cemetery programs; to redesignate, improve, and extend the Emergency Veterans' Job Training Act of 1983; and for other purposes.

Earlier, on January 3, 1985, Senator Byrd, as Democratic Leader, introduced for Senator Cranston, the Committee's Ranking Minority Member, S. 9, to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of VA home loan guaranties.

On March 7, 1985, Senator DeConcini introduced S. 622, to require the Administrator of Veterans' Affairs to transmit certain annual reports to Congress to facilitate the orderly expansion of the National Cemetery System.

On March 28, 1985, Senator Pressler introduced for himself and Senator Abdnor S. 769, to provide for the use of upright grave markers in national VA cemeteries.

On April 22, 1985, Senator Cohen introduced for himself and Senator Cranston S. 962, to provide for educational assistance for apprenticeship or other on-job training under the New GI Bill.

On May 23, 1985, Senator Thurmond introduced S. 1207, to provide equal benefits, under certain educational assistance programs administered by the VA, to eligible veterans or other eligible persons enrolled in nondegree courses offered by fully accredited institutions of higher learning which offer courses leading to a standard college degree and courses not leading to a standard college degree.

On June 27, 1985, Senator Cranston introduced for himself, Senator Matsunaga, and Senator DeConcini S. 1397, to define the term "detailed plan and justification" in connection with certain administrative reorganizations of VA facilities, and to confirm that a reorganization involving consolidation of benefits offices is prohibited by law and to permit one involving prosthetics centers to be implemented prior to fiscal year 1986.

On July 26, 1985, Senator Cranston introduced for himself and Senator Cohen S. 1509, to provide for educational assistance under the All-Volunteer Force Educational Assistance Program for pursuit of a program of education by correspondence.

On August 1, 1985, Senator Specter introduced for himself, Senator Rockefeller, and Senator Murkowski S. 1602, to authorize the Administrator of Veterans' Affairs to assist certain disabled veterans in acquiring specially adapted residences.

On February 20, 1985, Senator Murkowski, conducted a Committee hearing on the Fiscal Year 1986 VA budget proposals, including budget issues regarding the home loan guaranty program. Testimony was received from the Honorable Harry N. Walters, Administrator of Veterans' Affairs, and representatives of The American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, AMVETS, the Paralyzed Veterans of America, and the Vietnam Veterans of America.

On May 1, 1985, Senator Murkowski conducted a Committee hearing on the VA Home Loan Guaranty Program. Testimony was received from Robert M. O'Toole, Director, VA Loan Guaranty Service, representatives of The American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, and representatives of the Mortgage Insurance Companies of America, the National Association of Homebuilders, the Mortgage Bankers Association and the National Association of Realtors.

On October 3, 1985, Senator Murkowski conducted a Committee hearing to review proposed increases in the VA disability compensation and dependency and indemnity compensation (DIC) rates, as well as legislative proposals affecting the home loan guaranty program, education program, and Department of Memorials Affairs, as well as certain other programs. The Committee heard testimony from VA Chief Benefits Director R.J. "John" Vogel, representatives of The American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, AMVETS, and the Paralyzed Veterans of America. Written testimony was also submitted by the Mortgage Bankers Association.

After reviewing the testimony received at the hearing, the Committee met in open session on October 31, 1985, and voted unanimously to order reported to the Senate a "Committee Print", including provisions from the aforementioned bills and other provisions, as a clean bill which is being reported by the Chairman on behalf of the Committee and is referred to in this report as the "Committee bill".

## Summary of S. 1887 as Reported

S. 1887 as reported (hereinafter referred to as the "Committee bill") has five titles: Disability compensation and dependency and indemnity compensation; Veterans' Administration education programs; Home loan guaranty programs; National Cemetery programs; and Miscellaneous provisions, as follows:

### TITLE I: DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

This title includes amendments to chapters 11 and 13 of title 38, United States Code, which would provide, effective December 1, 1985, a 3.1-percent increase (the same increase that will be provided to Social Security recipients and VA pension beneficiaries effective December 1, 1985) in:

(1) basic compensation rates for service-connected disabled veterans and, generally, in the rates payable for certain severe disabilities;

(2) the allowances for spouses, children, and dependent parents paid to service-connected disabled veterans rated 30-percent or more disabled;

(3) the annual clothing allowance paid to veterans whose compensable disability requires the use of a prosthetic or orthopedic appliance (including a wheelchair) that tends to tear or wear out clothing; and

(4) the dependency and indemnity compensation (DIC) rates paid to:

(a) surviving spouses of veterans whose deaths were service-connected;

(b) surviving spouses for dependent children and surviving spouses who are so disabled as to be in need of regular aid and attendance or to be permanently housebound; and

(c) the children of veterans whose deaths were service connected where no surviving spouse is entitled to DIC, the child is age 18 through 22 and attending an approved educational institution, or the child is age 18 or over and became permanently incapable of self-support prior to reaching age 18.

In addition, a free-standing provision of this title would declare that it is the sense of the Congress that any payments by the VA to veterans as compensation for service-connected disabilities should remain exempt from Federal income taxation.

### TITLE II: VETERANS' ADMINISTRATION EDUCATION PROGRAMS

This title includes amendments to chapters 30, 32, 34, 35, and 36 of title 38, United States Code, which would:

(1) Permit individuals training under chapter 30, the New GI Bill, to pursue a program of apprenticeship or other on-job training or to pursue a program of education through home study.

(2) Provide that, in the cases of individuals who are eligible for educational assistance under both chapter 34, the Vietnam-Era GI Bill, and the New GI Bill and who had left the service after December 31, 1976, and reentered prior to the enactment of the New GI Bill on October 19, 1984, the delimiting periods for use of the combined form of chapter 30/chapter 34 benefits would be reduced by the amount of time they had been out of the service; and make certain technical amendments to chapter 30.

(3) Add to the responsibilities of the VA's Advisory Committee on Education responsibility for making recommendations to the Administrator with respect to the New GI Bill.

(4) Allow veterans training under chapter 30, or chapter 32, the Post-Vietnam Era Veterans' Educational Assistance Program (VEAP), to participate in the VA work study program.

(5) Provide for payment of benefits under chapter 32 for pursuit of apprenticeship or other on-job training program.

(6) Provide for the extension of the basic 10-year delimiting period of a veteran who has been prevented from initiating or completing a program of education under VEAP because of a physical or mental disability, not resulting from the veteran's own misconduct, by the amount of time the disability prevented pursuit of a program of education.

(7) Require veterans rated incompetent by the VA to be provided with educational and vocational counseling prior to their selection of a program of education or training under chapter 30, 32 and 34.

(8) Authorize a spouse who is training under chapter 35, Surviviors' and Dependents' Educational Assistance, to elect, subject to the Administrators approval, a date for beginning the 10-year period of eligibility earlier than the date on which the VA makes the eligibility determination, but not earlier than the date of the event creating the spouse's eligibility.

(9) Remove the requirement under chapter 35 that an educational plan be submitted by a parent or guardian, on behalf of a child, before benefits are awarded.

(10) For the purposes of determining a student's rate of pursuit for payment of VA educational assistance, permit to be measured in the same manner as courses that are part of programs leading to a standard college degree the following:

(A) a non-college degree program that is offered by an accredited institution of higher learning that is in the same general field with predominantly the same curriculum as a degree program offered by the same institution; and

(B) individual classes leading to a standard college degree that are required as part of a non-college degree program.

(11) Require that payment of educational assistance allowances for less-than-half-time training be made not later than the end of the month following the month in which an enrollment certification is received by the VA.

(12) Bar concurrent receipt of benefits for different programs of education pursued under two or more VA-administered education assistance programs.

(13) Permit educational institutions to delay until the end of the term, quarter, or semester submitting the certification of the enrollment of eligible VA students in the case of independent study pursued on a less-than-half-time basis, when there is no feasible means for the institution to monitor changes in or termination of enrollments.

(14) Prohibit implementation of any requirement that an educational institution certify the enrollment of VA students every term or semester for purposes of receipt of educational assistance administered by the VA.

In addition, a free-standing provision of this title would establish a Commission on Veterans' Education Policy (with representatives of the education community, the VA, the VA's Advisory Committee on Education, and the Congress) to study, and to submit within 18 months a report on, issues arising under VA educational assistance programs, including (A) the need for distinctions between certificate and degree courses, (B) measurement of pursuit of training, (C) the vocational value of correspondence training, and (D) innovative and nontraditional programs of education.

### TITLE III: SPECIALLY ADAPTED HOUSING AND HOME LOAN GUARANTY PROGRAM IMPROVEMENTS

This title includes amendments to chapter 37 of title 38, United States Code, generally effective September 1, 1986, which would:

(1) Allow a veteran with service-connected blindness or the service-connected loss or loss of use of both hands to receive financial assistance of up to $6,000 for the purchase of housing with special adaptations made necessary by the veteran's disability.

(2) Require the holder of a loan to promptly notify the VA if the veteran fails to make 2 monthly payments in full and to require the Administrator, within 15 days of receipt of such notification, to notify the veteran of the requirement (which would also be added) to initiate foreclosure proceedings if the veteran fails to make 4 monthly payments in full.

(3) Require the Administrator to prescribe regulations establishing credit underwriting standards which are in accordance with the loan underwriting principles generally accepted and used by commercial lending institutions with respect to loans with comparable security arrangements, and which include debt-to-income ratios, criteria for evaluating the reliability and stability of the income of the veteran, and procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms.

(4) Require the Administrator to prescribe regulations establishing standards to be used by lenders in obtaining credit information and processing loans to be guaranteed by the VA and which are in accordance with the application procedures generally accepted and used by commercial lending institutions with respect to loans with comparable security arrangements.

(5) Require lenders making VA-guaranteed loans to certify that they have complied with the credit underwriting and loan application standards referred to in items (1) and (2), above, and provide for a civil penalty to be assessed against a lender who knowingly and willfully makes a false certification under this provision.

(6) Authorize the Administrator in extraordinary situations to waive the application of the credit underwriting standards if the veteran is determined to be a satisfactory credit risk based on the totality of the circumstances in the case.

(7) Increase the maximum VA guaranty on conventional homes from $27,500 to $33,500.

(8) Require the holder of a loan, in the absence of approved forebearance, to initiate foreclosure proceedings on a loan

within 15 days after the veteran fails to make 4 monthly payments in full.

(9) Require the Administrator to identify common factors which contribute to foreclosures on VA-guaranteed loans and to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives, an annual report on those findings.

(10) Conform the contract amount above which contracts for services or supplies for the administration of the VA's loan guaranty program are required to be formally advertised to the amount generally provided for in title 41 (relating to public contracts), United States Code.

(11) Provide the Administrator with the authority to request the Secretary of the Treasury to transfer funds which the Administrator determines are in excess to the need of the Direct Loan Revolving Fund, from that fund to the Loan Guaranty Revolving Fund, and report to Congress on any such transfer.

(12) Authorize the Administrator, without obtaining prior approval from the Attorney General, to secure the use of private attorneys to act on behalf of the United States Government in foreclosure cases subject to the general supervision of the Attorney General.

(13) Require the Administrator to develop and maintain, after consulting with appropriate representatives from the lending community, lists of appraisers who may appraise property to be used as security for a loan to be guaranteed by the VA; to establish uniform qualifications to be met, and a standardized test to be satisfactorily completed, by an appraiser before that appraiser could be considered for inclusion on the list of VA-approved appraisers; to furnish the lender proposing to make a loan to be guaranteed by the VA with the appraisal of the property (made by an appraiser selected from the list by the VA on a rotating basis) to be used as security for the loan and allow the lender to obtain a second appraisal to be performed by an appraiser chosen from the list by the lender; to consider any such second appraisal before issuing a certificate of reasonable value; to establish appraisal fee limitations that are not below the local prevailing market rate.

(14) Require the Administrator to furnish information to local real estate sales professionals regarding the availability of property acquired by the VA and the procedures used by the VA to dispose of such property.

This title also includes two free-standing provisions which would:

(1) Require the Administrator to establish an 18-month pilot program under which the VA would contract with one or more commercial organizations for the management and disposition of a representative nationwide sample of 10 percent of the VA inventory of properties.

(2) Require the Administrator to establish a Task Force comprised of representatives of the VA, real estate professionals, and representatives from commercial organizations to facilitate the exchange of information between the VA and the real estate industry regarding the VA's method of managing and

disposing of property. The task force would exist for a period of 3 years and submit 2 reports to the Congress.

### TITLE IV: NATIONAL CEMETERIES AND MEMORIALS

This title includes amendments to chapter 24 of title 38, United States Code, which would:

(1) Provide that space be designated for upright markers in each national cemetery except for those established prior to January 1, 1986, which, before that date, have never provided for upright markers.

(2) Require that markers in National Cemeteries be flat except where an upright marker has been requested and space in an area designated for upright markers is available.

(3) Require the Administrator to submit, 18 months and 60 months after enactment, 2 reports on the future of the National Cemetery System.

In addition, this title includes an amendment to chapter 75 of the title 10 which would allow memorials to be placed in Arlington National Cemetery for eligible individuals who are missing in action or whose remains are not available for burial, by virtue of having been lost, buried at sea, cremated, or donated to science.

### TITLE V: MISCELLANEOUS PROVISIONS

This title includes amendments to chapters 17 and 55 of title 38, United States Code, which would:

(1) Define the term "detailed plan and justification" for purposes of section 210(b)(2) of title 38, relating to certain administrative reorganizations of VA facilities, including the VA's proposal of February 1, 1985, to consolidate certain functions from 59 regional offices into 3 processing centers.

(2) Expand the definition of the Vietnam era (August 5, 1964, through May 7, 1975, in current law) for the purpose of title 38, United States Code, to include the period beginning on February 21, 1961, and ending on August 4, 1964, in the case of those who served in Vietnam during that time.

(3) Specify that payments received as the result of a veteran's participation in a VA incentive-therapy or compensated-work-therapy program would not be considered as income for purposes of computing the amount of non-service-connected pension payable to the veteran.

(4) Increase from $1,500 to $6,000 the assets allowed a hospitalized incompetent veteran without dependents before payment of compensation or pension is interrupted and from $500 to $2,000 the amount to which such a veteran's assets are reduced before benefit payments would be resumed.

In addition, this title includes free-standing provisions which would:

(1) Establish an advisory committee (with Native Americans represented) to evaluate the effectiveness of veterans' programs in meeting the needs of veterans who are Native Americans, including Alaska Natives.

(2) Require the VA to prepare and submit tot he Veterans' Affairs Committees by June 1, 1986, a plan (including costs) and timetable for the collocation to the grounds of VA Medical Centers at the earliest opportunity of 7 regional offices not now located on such grounds. The Administrator may submit with the plan any assessment that the Administrator has made of the advantages and disadvantages of combining regional offices located near each other.

(3) Require the VA to provide for an epidemiological study, unless determined to be scientifically infeasible, of the health of women Vietnam veterans, to be carried out by a non-VA entity under contract, designed to detect gender-specific and other health effects in women Vietnam veterans that might be related to their service in Vietnam (the study may also deal with Agent Orange exposure issues).

## DISCUSSION

## TITLE I: DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

### Rate Increases

### *Background*

#### *Disability Compensation*

The service-connected disability compensation program provides monthly cash benefits to veterans who have suffered disabilities during, or as a result of, their service in our Nation's Armed Forces. This program is the highest program priority of the Veterans' Affairs Committee.

The amount paid in individual instances is contingent upon the nature of the veterans' disability or combination of disabilities and the extent to which earning capacity is considered to have been impaired. Compensable disabilities are rated according to the VA's Schedule or Rating Disabilities on a graduated scale ranging from 10- to 100-percent rate. Higher monthly rates are payable to totally disabled veterans with certain specific, very severe disabilities and combinations of disabilities.

The VA disability compensation program in September 1985 provided benefits for 2,240,277 veterans who have service-connected disabilities. This number includes disabled veterans with the following periods of service: 12,293 World War I veterans; 1,048,976 World War II veterans; 222,630 Korean-conflict veterans; and 603,889 Vietnam-era veterans.

#### *History of cost-of-living increases*

The Committee periodically reviews the service-connected disability compensation program with a view toward assuring that the benefits authorized provide reasonable and adequate compensation for disabled veterans and their families. Congress has traditionally acted periodically to provide cost-of-living adjustments in compensation benefits, in order to assure that those benefits keep pace with inflation.

*Dependency and indemnity compensation (DIC)*

The dependency and indemnity compensation (DIC) programs, which supplanted the earlier death compensation program, were established in 1956 with the enactment of the Servicemen's and Veterans' Survivors Benefit Act (Public No. 881, 84th Congress).

DIC is paid to the survivors—surviving spouses, unmarried children under the age of 18, as well as certain helpless children age 18 or over, children between the ages of 18 and 23 who are enrolled in school, and certain needy parents—of servicemen or veterans who died on or after January 1, 1957, from: (1) a disease or injury incurred or aggravated in the line of duty while on active duty or active duty training; or (2) an injury incurred or aggravated in the line of duty on inactive duty training; or (3) a disability compensable under laws administered by the VA.

Surviving spouses, children, and parents who are receiving death compensation by reason of a veteran's death occurring before January 1, 1957, may elect instead to receive DIC. However, they cannot, thereafter, receive death compensation.

DIC is paid to surviving spouses at rates determined by the pay grade—service rank—of the deceased veteran. A higher rate is payable if the surviving spouse is so disabled as to be housebound or in need of regular aid-and-attendnace, and additional amounts are payable for the veteran's surviving children. Children become entitled to DIC where there is no surviving spouse, or where the child age 18 or over has become permanently incapable of self-support before reaching the age of 18, or the child is age 18 to 23 and pursuing an approved course of education. As of September 1985 DIC benefits are paid to or for 312,158 surviving spouses and children of those who died as a result of their service-connected disabilities. In addition, DIC is paid to 41,961 needy surviving parents of veterans whose deaths were service connected. Under Public Law 95-588, the provisions of chapter 13 of title 38, United States Code, governing the parents' DIC rates, were amended to provide for automatic annual adjustments at the same time and by the same percentage as Social Security benefits.

Under section 410(b) of title 38, benefits are also paid at DIC rates to the surviving spouse and children of veterans whose deaths are not determined to be service connected, where the veteran received compensation at the 100-percent rate over an extended period of time immediately prior to his or her death.

### *Committee Bill Provisions*

The Committee bill would provide for a 3.1-percent cost-of-living adjustment (COLA), effective December 1, 1985, in the service-connected disability compensation and DIC benefit rates. This percentage increase is the same as the COLA also effective December 1, 1985, to be paid to Social Security beneficiaries and to VA pensioners eligible for benefits under the new pension program established by Public Law 95-588. In calculating the rate increases, the Committee has rounded to the next higher dollar all amounts of $.50 or more; amounts of less $.50 have been rounded down. This effective date conforms with section 108 of Public Law 98-223, which expressed the sense of Congress that COLA's for fiscal years subsequent to 1984 are to take effect on December 1.

The Committee bill would provide that DIC paid to the surviving spouse of the commandant of the Coast Guard would be paid at the same rate DIC is paid to the surviving spouse of the Chairman of the Joint Chiefs of Staff, or the Chiefs of Staff or Commandant of the other branches of Armed Forces.

### *Disability compensation increases*

The 3.1-percent increase provided by the Committee bill would apply to the monthly rates of disability compensation under section 314 of title 38, United States Code, except for the monthly rate specified in subsection (k) of section 314; the rates of additional monthly compensation for dependents payable under section 315 to veterans rated 30-percent or more disabled; and the annual clothing allowance under section 362 for disabled veterans who must use prosthetic or other orthopedic appliances, such as wheelchairs, that tend to tear or wear out their clothing. The maximum monthly amounts specified in subsections (k) and (p) of section 314, would also be increased. Those are specified dollar amounts that may not be exceeded in the event that a veteran would otherwise be entitled to a higher amount by reason of entitlement to two or more monthly rates.

### *Dependent's allowances increases*

Veterans whose disabilities are rated at 30 percent or more may receive additional compensation for the veteran's spouse, children, and dependent parents. Under the Committee bill, those dependents' allowances would also be increased by 3.1 percent. Such dependents, allowances are prorated according to the percentage of disability. As of September 1985, the number of dependents for whom veterans received additional compensation was 1,089,513.

### *Dependency and indemnity compensation increases*

The Committee bill would also provide for a cost-of-living adjustment of 3.1 percent in DIC rates for surviving spouses and children, which is the same rate of increase provided for service-connected disabled veterans by the Committee bill. Additional allowances for surviving spouses in need of aid and attendance or who are housebound, helpless children age 18 or over, and children between the ages of 18 and 23 attending school would also be increased 3.1 percent.

The 3.1 percent increase would also be applicable to benefits paid at DIC rates under section 410(b) of title 38, United States Code, to the surviving spouses and children of certain totally disabled service-connected disabled veterans whose deaths were not service connected.

## *Sense of the Congress Regarding Maintaining Tax-Exempt Status of Disability Compensation*

Section 108 of the Committee bill (which is derived with modifications from S. Con. Res. 20) would declare that it is the sense of the Congress that any payments by the VA to veterans as compensation for service-connected disabilities should remain exempt from Federal income taxation.

On February 26, Senator Cranston, Chairman Murkowski, and Senators Mitchell, Stafford, Specter, and Sasser, introduced S. Con. Res. 20, a concurrent resolution expressing the sense of the Congress that service-connected compensation payments should remain exempt from taxation and urging the President to reject any proposal to alter that status. A total of 51 Senators—including 11 members of the Committee—have joined in support of this resolution, including: Senators Matsunaga, Pressler, Thurmond, Pryor, Hawkins, DeConcini, Rockefeller, Gore, Sarbanes, Bingaman, Abdnor, Burdick, Hollings, Boren, Bumpers, Dodd, Trible, Pell, Heflin, Domenici, Chiles, Garn, Andrews, Boschwitz, Cochran, Mattingly, Wilson, Warner, Symms, Leahy, Bradley, Nickles, Zorinsky, Simon, Gramm, Glenn, Lautenberg, Kennedy, Heinz, Kerry, Stennis, Denton, Ford, Chafee, and Stevens.

VA disability compensation benefits are paid to individuals who have service-connected disabilities. The benefit levels for veterans under the service-connected disability compensation program have, traditionally, been provided on a tax-exempt, wage-replacement scale, based on the average earning impairment caused by the disability.

In November 1984, the Department of the Treasury originally recommended the termination of the tax-exempt status of these benefits. This proposal was subsequently rejected by the President in submitting his tax reform package to the Congress on May 29, 1985.

Taxation of VA compensation payments could place a higher tax burden on more severely disabled veterans and would thus violate the policy of compensating veterans with greater degrees of disability at sufficiently higher rates to reflect those veterans' disproportionately greater needs. In addition, disruption of the relationship between the compensation levels and the wage-replacement basis would inevitably lead to consideration by the Congress of the need for raising the payment levels.

In view of the broad support for retaining the tax-exempt status of disability compensation payments and the serious ramifications that disrupting that status would entail, section 108 of the Committee bill would express the sense of the Congress that VA payments as compensation in connection with service-connected disabilities should remain exempt from Federal income taxation.

## TITLE II: EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

### *Apprenticeship and On-Job Training under the New GI Bill*

Section 201 of the Committee bill (which is derived from S. 962) would permit individuals training under chapter 30 of title 38, United States Code, to pursue a program of apprenticeship or other on-job training.

The new chapter 30 program, popularly known as the "New GI Bill", was enacted just last year by virtue of amendments made by title VII of the Department of Defense Authorization Act, 1985—Public Law 98-525. The new program is designed to assist the

Armed Forces in recruiting and retaining high quality men and women and became effective with respect to individuals entering the Armed Forces on or after July 1, 1985.

Under current law (section 1787), benefits under the chapter 34. "Vietnam-Era GI Bill" may be used for pursuit of apprenticeship or other on-job training. Section 206 of the Committee bill would permit chapter 32 trainees to use their benefits for such training. A veteran in apprenticeship or other on-job training under chapter 34 receives a monthly training assistance allowance—in the case of a single veteran, $274 a month for the first 6-month period of training, $205 a month for the second 6-month period, $136 a month for the third period, and $68 a month for the fourth and succeeding periods. The employer, who must meet certain specified requirements relating to the nature and content of the training program, is required to pay the veteran wages equal to the wages of other similarly situated employees. No payments are made to the employer.

Under the Committee bill, the veteran's training allowances would be paid during the first 12 months of a veteran's participation in apprenticeship or other on-job training in an amount equal to the full amount of the veteran's educational assistance allowance. The allowance for such training pursued beyond that 12-month period would be paid at the rate of one-half of the full amount of the educational assistance allowance. The veteran's entitlement would be charged based on the amount of the allowance paid. (Training allowances would be paid in a similar fashion to veterans participating in apprenticeship or on-job training under the chapter 32, Post-Vietnam Era Educational Assistance program, pursuant to the provision proposed to be added by section 206 of the Committee bill, discussed below.)

The Committee believes that individuals training under veterans' educational assistance programs should have the widest possible array of choices available to them.

### *Adjustment of Delimiting Period for Individuals Entitled to Certain Combined Benefits*

Section 202 of the Committee bill would provide that, in the cases of individuals who are eligible for educational assistance under both the Vietnam-Era Gi Bill (chapter 34) and the New GI Bill (chapter 30) and who had left the service after December 31, 1976, and reentered prior to the enactment of the New GI Bill on October 19, 1984, the delimiting periods for use of the combined form of chapter 30/chapter 34 benefits would be reduced by the amount of time they had been out of the service.

Since 1980, the Committee has been concerned about reports of individuals, still on active duty, who have established eligibility for educational assistance under chapter 34 of title 38 by virtue of having entered on active duty prior to January 1, 1977, and who, in order to utilize their benefits may choose to leave the service prior to the December 31, 1989, termination date for the chapter 34 GI Bill program. On three occasions, the Committee recommended and the Senate approved provisions to modify the 1989 date in order to remedy this problem. In each case, however, the provisions were rejected by the House of Representatives.

Last year, in connection with the enactment of the chapter 30, "New GI Bill" program (title VII of Public Law 98-525), Congress enacted provisions to allow an individual who has eligibility for chapter 34 GI Bill benefits and who had remained on active duty since December 31, 1976, to establish, by remaining on active duty for a minimum of 2 years after June 30, 1985, eligibility for a combined benefit equal to benefits under the chapter 30 program plus one-half of the value of the individual's remaining chapter 34 benefits. This combination approach was included as a means of inducing continued service by individuals who might otherwise have left the service in order to use their benefits.

Following the enactment of Public Law 98-525, the Committee became aware that a group of individuals who, although on active duty on the date on which the "New GI Bill" was enacted, would not be eligible for these combined benefits because, prior to that date, they had left the service for some period of time. Since the purpose of these combined benefits was to permit individuals to remain on active duty and still utilize their earned benefits, the Senate Armed Services Committee proposed in S. 1160, the proposed "Department of Defense Authorization Act, 1986", and the Senate approved, a provision that would permit these individuals to establish eligibility for the combined benefits. Subsequently, this provision was enacted in Public Law 99-145.

The Committee is sympathetic to the need to make provision for this small group of individuals who had a break in service prior to the enactment of the New GI Bill. Nevertheless, it also believes that to provide the same nature and amount of relief from the 1989 termination date to these individuals as is provided to those who remained continuously on active duty during the period from December 31, 1976, through October 19, 1984, is not equitable.

Thus, section 202 of the Committee bill would provide that the 10-year delimiting period of such an individual would be reduced by the amount of time that the individual had not been on active duty during the period from December 31, 1976, to October 19, 1984, and who would have had the opportunity during a break in active duty to utilize VA educational assistance benefits.

### *Educational Assistance for Correspondence Courses Under the New GI Bill*

Section 203 of the Committee bill (which is derived from S. 1509) would permit individuals training under chapter 30 to pursue a program of education through home study.

Under current law (sections 1631 and 1684), benefits under both the chapter 34, "Vietnam-Era GI Bill" program and the chapter 32, "VEAP" program may be used for pursuit of correspondence training (also referred to as home study) by veterans. Under chapters 32 and 34, educational assistance for home study is paid at the rate of 55 percent of the cost of the program and the individual's entitlement to benefits and is charged at a rate corresponding to the benefit amounts that are paid. The Committee bill would provide for identical treatment in the case of benefits under chapter 30.

The Committee believes that individuals training under veterans' educational assistance programs should have the widest possible array of choices available to them. This type of training may be the only available program for some individuals—such as those who live in geographically remote areas, those whose work or family responsibilities preclude regular classroom attendance, those with certain types of disabilities, or those who are on active duty. Thus, the Committee bill would provide the opportunity to pursue a program of education through home-study programs to these and other individuals.

### *Responsibilities of the Advisory Committee on Education*

Section 204 of the Committee bill (which is derived from S. 1509) would add to the responsibilities of the VA's Advisory Committee on Education responsibility for making recommendations to the Administrator with respect to the chapter 30 program.

Section 1792 of title 38 provides for the establishment of an Advisory Committee on Education, composed of persons who are eminent in the fields of education, labor, management, and representatives of educational institutions and eligible GI Bill students, together with other Federal officials involved in education and training issues and representatives of veterans. The Administrator is charged with consulting with and seeking the advice of the Advisory Committee from time to time with respect to the administration of chapters 32, 34, 35, and 36 of title 38. The Advisory Committee may also make such reports and recommendations to the Administrator and the Congress as it considers desirable.

The Committee believes that scrutiny of the chapter 30, New GI Bill, program should also be within the responsibilities of the Advisory Committee. Thus, section 204 of the Committee bill would add this chapter to the list of the Advisory Committee's responsibilities.

### *Work-Study Allowance Under the New GI Bill and the Post-Vietnam Era Veterans' Educational Assistance Program*

Section 205 of the Committee bill would allow veterans training under chapter 30, the "New GI Bill", or chapter 32, the Post-Vietnam Era Educational Assistance program (VEAP), to participate in the VA work study program.

The VA's veteran-student services program, is conducted under section 1685 of title 38, enacted in 1971, and is popularly known as the VA's "work-study" program. This program offers opportunities for full-time veteran-students to earn additional amounts of money to supplement their educational assistance allowances. Specifically, a full-time student enrolled under chapter 31, vocational rehabilitation for service-connected disabled veterans, or chapter 34, the Vietnam-Era GI Bill, may be paid at the minimum hourly wage for up to 250 hours a semester in return for certain services. These services must be in connection with VA outreach efforts, the preparation of and processing of necessary papers and documents at educational institutions or VA regional offices, the provision of hospital and domiciliary care and medical treatment through VA facilities, or other activities that the Administrator determines appropriate.

In determining which veteran-students should be offered the opportunity to participate in this program, section 1685 requires the Administrator to take into account the veteran's needs for augmentation of the educational or subsistence allowance, the availability of transportation, and the motiviation of the veteran. In addition, priority is given to veteran-students who have service-connected disabilities rated at 30 percent or more.

At present, only veterans who are training under chapter 31 or chapter 34 of title 38 are eligible to participate in the VA's work-study program. Neither the chapter 32, VEAP program, nor the chapter 30, the New GI Bill program, offer this form of assistance to veteran-students.

The Committee believes that this program is an important one—not only for the economically disadvantaged individual veteran-student who is in need of the additional assistance in order to participate in a full-time program of education, but also for the VA and the educational institutions who benefit from the services provided by the work-study veteran-students. Thus, in order to make this opportunity available to needy, full-time students training under those programs of assistance as well as to maintain a continuing potential work force to carry out the important services provided by veteran-students under the VA's work-study program, section 205 of the Committee bill would amend both chapters 30 and 32 (with a conforming amendment to chapter 34) in order to permit veteran-students training under those programs to have access to the program.

### *On-Job Training Under the Post-Vietnam Era Veterans' Educational Assistance Program*

Section 206 of the Committee bill would expand the types of training that may be pursued by veterans eligible for educational benefits under chapter 32, of title 38, United States Code, the Post-Vietnam Era Veterans' Educational Assistance Program (popularly known as VEAP) to include apprenticeship or other job training.

VA education programs available to veterans eligible because of service in World War II, the Korean conflict, the post-Korean period, and the Vietnam era provided benefits for training in approved apprenticeship or other on-job training programs. The Committee believes expanding the opportunities for training under VEAP to provide the same opportunity as earlier programs for apprenticeship or other on-job training would allow veterans for whom institutional training is inappropriate or unavailable to make appropriate use of their education benefits. The Committee notes that this is particularly desirable since benefits under VEAP include a substantial contribution made by the veteran while he or she was on active duty.

### *Duration and Limitations on Entitlement to Post-Vietnam Era Veterans' Educational Assistance*

Section 207 of the Committee bill (which is derived from section 201 of S. 1788) would provide for an extension of the basic 10-year delimiting period of a veteran, eligible for benefits under the VEAP program, who is unable to pursue a program of education during his or her 10-year eligibility period because of a physical or mental disability not due to willful misconduct. Such an extension, for which the veteran would have to apply, would be for a period equal to the period the veteran was unable to pursue a program of education because of the disability.

An extension of the delimiting date due to disability is currently available to veterans and eligible persons under chapters 30, 34, and 35. The Committee bill would make the same opportunity available under similar circumstances to veterans training under chapter 32.

### *Educational and Vocational Counseling Under Veterans' Educational Assistance Programs*

Section 208 of the Committee bill (which is derived from section 202 of S. 1788) would require the VA to provide educational counseling to a veteran rated incompetent for purposes of VA benefits before benefits could be awarded for pursuit of a program of education or training.

This provision would require a VA professional education counselor to consult with and advise an incompetent veteran prior to the beginning of a program of education. The Committee believes this would reduce the chances of an incompetent veteran pursuing unsuitable or unrealistic programs of education. The Committee notes that this provision would not provide any additional grounds for the VA to disallow education benefits to an incompetent veteran.

### *Delimiting Period Under the Survivors' and Dependents' Educational Assistance Program*

Section 209 of the Committee bill (which is derived from section 203 of S. 1788) would allow the survivor or eligible spouse of a veteran to elect a more favorable beginning date for his or her 10-year delimiting period for the use of benefits available under chapter 35 of title 38, United States Code, under which educational assistance is provided to the spouses of veterans with service-connected disabilities rated totally and permanently disabling and the surviving spouses of veterans who died of a service-connected cause.

Under current law (section 1712(b) of title 38), the spouse's 10-year period of eligibility begins on the date on whichever of the following last occurs: (A) the VA finds that the veteran has a service-connected total disability permanent in nature, (B) the date of the death of a veteran who died while such a disability existed, or (C) the VA finds that the veteran died of a service-connected disability. If this date falls after the date that the spouse has initiated a program of education, the VA cannot award benefits for the period between initiation of training and the applicable date.

The Committee bill would allow the spouse to elect, subject to approval by the VA, an earlier date for the beginning of his or her period of eligibility if he or she was unable to receive benefits because eligibility had not yet been established. The date could not be earlier than the event (the veterans' death or disability) upon which eligibility is based or later than the date the VA makes its determination of eligibility.

The Committee believes a spouse or surviving spouse should be able to receive educational benefits, if otherwise eligible, for training pursued while he or she meets the criteria for eligibility, even though the VA has not yet made an eligibility determination. This provision would provide for benefits to be paid in such an instance at the request of the spouse.

### *Elimination of the Requirement for an Education Plan for Survivors and Dependents*

Section 210 of the Committee bill (which is derived from section 204 of S. 1788) would eliminate the current requirement that an educational plan be completed by the parents or guardian of a child eligible for educational benefits under chapter 35, the Survivors' and Dependents' Educational Assistance Program.

Under current law the parent or guardian of an eligible child is required to prepare an educational plan for the child before benefits may be awarded for a program of education. The plan is signed by the parent or guardian and becomes a part of the application for educational assistance.

The VA has advised the Committee that it believes there is no real need for an educational plan to be submitted and that, at its core, the plan is nothing more than enrollment date which must be furnished as part of the process leading to the payment of educational benefits.

The Committee concurs in this assessment and, thus, proposes to simplify the process by eliminating the redundant paperwork.

### *Measurement of Certain Noncollege Degree Courses*

Section 211 of the Committee bill (which is derived with modifications from S. 1207 and section 205 of S. 1788) would, for purposes of payment of educational assistance benefits, allow certain courses included in noncollege degree (NCD) programs of education leading to a vocational objective to be measured in the same way as courses that are part of a program leading to a standard college degree.

This new measurement provision would apply to a vocational program offered at an accredited institution of higher learning if the vocational NCD program is in the same general field as a degree program offered at the same school and consists primarily of academic coursework. In such a case the entire vocational NCD program would be treated as though it leads to a standard college degree for purposes of measuring pursuit of payment, attendance requirements, and record keeping. For example, if an institution offered both a program of education leading to an associate degree in computer programming and a program leading to a certificate in the general field of computer programming consisting primarily of coursework required for the degree program the certificate program would be subject to the new measurement provision.

In addition, the Committee bill would allow individual academic courses required as part of the curriculum for a vocational NCD program to be measured, for purposes of determining training time, the same as academic courses at the same institution taken as a part of a degree program. For example, if a student enrolls in 6 credits of academic courses as part of the curriculum leading to a vocational certificate, those 6 credits would be weighted in the student's training times as though he or she was pursuing a college degree. If 12 academic credits were considered to be full time at the school for pursuit of an academic degree, the 6 academic credits would constitute half-time training. The VA would compute training time of the vocational portion of the curriculum and combine that with the half-time academic portion to determine the student's training time for purposes of payment.

These provisions concerning measurement are intended to eliminate inequities that now exist when vocational NCD students are enrolled in substantially the same or even identical courses as students in a program leading to a standard college degree. The academic student can be considered full time with 12 credits (usually requiring enrollment in 12 standard class sessions per week or the equivalent), while the vocational student must attend 18 or 22 hours per week (depending on the nature of the program) to be considered full time. The educational institution must keep records of and report the attendance of students in vocational programs. There is no attendance recordkeeping or reporting requirement for academic programs of education. The benefits paid to a vocational student are reduced if the student has "excessive" absences. There is no penalty for absence for an academic student.

The Committee bill would address these inequities by allowing payment to a student enrolled in vocational programs that consist primarily of academic courses as though the entire program is academic, and allowing payment to a student enrolled in academic courses as part of a vocational curriculum on the same basis as a student pursuing a degree is paid for those courses.

In addition to these specific provisions, the Committee recognizes that the nature and character of both higher education and vocational education have changed substantially since the standards for paying benefits were established. The Commission on Education Policy established by section 216 of the Committee bill would be charged with looking into the question of the need for distinctions between these types of training and with making recommendations to the Administrator and the Congress so that decisions concerning the need for revisions in the criteria for course measurement and class attendance could be made.

### *Payment of Educational Assistance for Certain Less-Than-Half-Time Training*

Section 212 of the Committee bill (which is derived from section 206 of S. 1788) would amend the timeliness standard for making payment for less-than-half-time study.

Under current law (section 1780(f) of title 38, United States Code), lump-sum payment of educational assistance allowances for less-than-half-time training is required to be made during the month immediately following the month in which certification is received from an educational institution verifying a student's enrollment in and pursuit of a program at that institution. However, the VA has advised that, due to the introduction of computerized processing procedures, these lump-sum payments could be made sooner than the law permits, that is, in the month in which the certification is received.

Thus, the Committee bill would modify current law so as to permit payments to be made as promptly as possible but in no case later than the month following the month in which the certification is received.

### *Prohibition on Benefits Under More Than One Educational Assistance Program*

Section 213 of the Committee bill (which is derived from section 207 of S. 1788) would bar payment of educational assistance allowances for the simultaneous pursuit of two different programs of education using entitlement from two different educational benefits programs.

Current law (section 1781(b) of title 38, United States Code) bars duplicate payments for the same program of education under two benefit programs and bars simultaneous payments for two programs of education under any one benefit program. Section 1781(b) does, however, permit the simultaneous payment of benefits for two programs of education under two benefit programs.

The Committee concurs with the VA's recommendation that VA trainees should be permitted to use VA benefits to pursue only one program of education at a time. The Committee notes this provision would not prohibit an individual from enrolling in two programs simultaneously; it would only prohibit VA from awarding benefits for more than one program. This prohibition would have no effect on an individual's eligibility for benefits for programs of education pursued sequentially.

### *Reporting Requirements for Educational Institutions*

Section 214 of the Committee bill (which is derived from section 208 of S. 1788) would allow the VA, under certain circumstances, to approve a delay in the certification of a VA student's enrollment by an educational institution. This delay could be approved only in the case of a student enrolled in independent study on less than a half-time basis if the Administrator determines there are no feasible means for the school to monitor changes in the student's enrollment.

Current law (section 1784(a) of title 38, United States Code) requires an educational institution to certify promptly the enrollment of a VA student and to report promptly any changes in the student's enrollment. In the case of independent study, an educational institution may not have interaction with a student between the time of the student's initial enrollment and the time the study is scheduled to be completed and thus have no means to detect a change in the student's enrollment. In such cases, the Committee bill would allow the VA to approve a school request to delay certification of the enrollment until the independent study has been completed. This would result in benefit payment being made after completion of the course.

### *Prohibition of Term-by-Term Certification Requirement*

Section 215 of the Committee bill would allow in educational institution to certify the enrollment of a VA student for an entire school year including the summer term.

On June 30, 1983, the VA published in the Federal Register proposed regulations to modify the manner in which students attending school and receiving VA assistance under chapter 34 or 35 of title 38 are certified as enrolled for the purposes of receiving benefits. At present, veterans may be certified as enrolled for periods longer than a term, semester, or quarter. Thus, for example, a veteran enrolled in a program of education at an institution of higher learning at the beginning of the fall trimester may be certified by the school as enrolled for the entire school year—including the fall, winter, and spring trimesters.

Under the proposed regulations, this practice would no longer be permitted. Instead, schools would be required to certify enrollments at the beginning of each term, semester, or quarter.

The Committee is aware of the concerns expressed by a number of students and institutions about this proposed change and the effect it could have on the paperwork burdens of both the institutions and the VA and on the timeliness of benefit payments at the outset of each term. Indeed, the VA has advised the Committee that if a term-by-term enrollment certification is required, almost 740,000 additional certifications will need to be processed in fiscal year 1985 and more than 2.2 million more in fiscal year 1986 through 1989.

The Committee is also aware of and sympathetic to the VA's purpose in pursuing this change in policy—that is, the achievement of savings by reducing overpayments of educational benefits. However, the Committee also believes that the imposition of a requiring limiting enrollment certifications to a single term could result in unacceptable delays in payments to all VA students as well as imposing unacceptable paperwork on both educational institutions and the VA.

Thus, the Committee bill would allow educational institutions organized on a term, quarter, or semester basis to continue to certify the enrollment of a veteran or eligible person for up to an entire school year, including the summer enrollment period. Existing VA policy does not allow enrollment certifications to include future terms, quarters or semesters in which a student would be eligible to receive payment of only tuition and fees (for example, students on active duty or those enrolled on less than a half-time basis). The Committee does not intend this provision to require any change in this policy. Similarly, the Committtee does not intend to require any change in the existing VA practice of requiring an educational institution to report the beginning and ending dates of its semesters, quarters, or enrollment periods or the dates of any breaks or intervals within or between quarters, semesters, or enrollment periods.

### *Commission to Assess Veterans' Education Policy*

Section 216 of the Committee bill is a freestanding provision that would establish a Commission on Veterans' Education Policy (with representatives of the education community, the VA, the VA's Advisory Committee on Education, and the Congress) to study, and to submit within 18 months a report on issues arising under VA educational assistance programs, including the need for distinctions between certificate and degree course, measurement of pursuit of training, the vocational value of correspondence training, and innovative and nontraditional programs of education.

The system developed for the administration of educational assistance benefits under title 38 is a complex and confusing one. Much of the basis for the practices, policies, and provisions of law pertaining to the system derives from the VA's and the Congress' experience with administrative of benefits from World War II and Korean GI Bills. Through the years the system has remained relatively unchanged although some changes have been made to reflect new developments in education philosophy and practices.

The Committee is concerned that the present system may not reflect the most efficient, cost-effective, and suitable approach to the provision of educational assistance benefits. It believes that a comprehensive review and discussion of the issues by the major parties interested in and affected by the administration of educational assistance benefits is necessary so that consideration can be given to making appropriate revisions in policies, practices, and provisions in law to best protect not only the interests of the Federal Government, but also of individuals training under title 38 and of institutions offering programs of education.

Thus, this Commission, whose members would be appointed by the Administrator after consultation with the Committees on Veterans' Affairs, would be charged with this responsibility and with submitting its recommendations in this area to the Committees within 18 months after the Commission is appointed. Not later than 6 months after the submission of the Commission's final report, the Administrator would be required to make an interim report to the Committees containing the Administrator's views on the desirability, feasibility, and cost of implementing each of the Commission's recommendations, and the actions taken or planned with respect to their implementation, as well as the Administrator's recommendations with respect to any legislation or regulations proposed by the Commission. Not later than 90 days after submission of the Administrator's interim report, the Commission would be required to submit a report to the Administrator and the Committees on its views on the Administrator's report. Not later than 2 years after the submission of the Commission's final report, the Administrator shall submit a final report to the Committees detailing the actions taken with respect to the recommendations of the Commission, together with any further recommendations the Administrator considers appropriate.

The Committee expects that the results of this undertaking will assist the Congress and the Administrator in the necessary effort of updating and streamlining the VA's system in an appropriate manner.

## TITLE III: SPECIALLY ADAPTED HOUSING AND HOME LOAN GUARANTY PROGRAM IMPROVEMENTS

### *Specially Adapted Housing*

Section 301 of the Committee bill, which is derived from S. 1602 would amend sections 801 and 802 of title 38. Veterans with disabilities prescribed under subsection 801(a) of title 38—that is, those veterans with certain severe service-connected mobility impairments or severe service-connected blindness combined with the loss or loss of use of a lower extremity—may be provided financial assistance by the VA for the aquisition of housing specially adapted to meet their needs. Veterans with disabilities prescribed under subsection 801(b)—that is, those veterans with service-connected blindness or the service-connected loss or loss of use of both hands—may be provided financial assistance in an amount up to $6,000 to obtain special adaptations to their existing residences that are made necessary by their disabilities, but are not authorized to receive such assistance for the purchase of a home which already has the necessary adaptations.

The Committee bill would authorize the same degree of financial assistance to veterans with the disabilities specified under subsection 801(b) of title 38, who intend to purchase a home which has already been specially adapted to meet their needs.

### Loan Guaranty Program Background

The Veterans' Administration (VA) home loan guaranty program was established by the Servicemen's Readjustment Act of 1944 (Public No. 346, 78th Congress). The program was designed to assist veterans returning home from World War II who had been unable to establish a credit history necessary to obtain a home mortgage due to their military service. It was originally intended that the program would provide short-term assistance in the readjustment of veterans to civilian life. Under the Servicemen's Readjustment Act of World War II a veteran with at least 90 days of active duty service was eligible for a VA guaranty of up to 50 percent of the principal value of the mortgage, not to exceed $2,000. Under that Act, the program was to expire 5 years after the end of World War II.

The program became extemely popular and was extended a number of times until it was made a permanent benefit program in 1970 by Public Law 91-506. Since its inception in 1944, the program has been changed and expanded many times. Currently, the VA guarantees 60 percent of the principal value of the mortgage not to exceed $27,500. Today, both veterans and certain active duty military personnel with wartime or peacetime service are eligible for the program. As the loan guaranty amount has been increased and other aspects of the program have been expanded, more veterans have been enabled to purchase thier own homes. Over 11.5 million veterans have participated in the program to date. With the increased rate or participation, an increased number of defaults and foreclosures have come as well. At the present time, the VA is experiencing a monthly foreclosue rate of approximatley 2,500. It was reported by the VA Inspector General in an audit dated September 30, 1985, that the VA loses an average of $14,496 on each foreclosed property—by either paying the guaranty or acquiring the property and reselling it at a net loss. Those losses are absorbed through the Loan Guaranty Revolving Fund (LGRF). The history of funding of the LGRF is described under the discussion heading "Authority to Transfer Funds".

In fiscal years 1984 and 1985 a total of $566 million in appropriations was required to cover the loan guaranty program losses. VA losses in the program as a result of foreclosures in fiscal year 1985 could be as high as $400 million.

There are a number of factors which have contributed to the high rate of foreclosure and the subsequent losses under the VA loan guaranty program. Some are factors over which the VA has no control. The fact that by law the program provides the veteran an opportunity to purchase a home with no downpayment is significant in and of itself. The veteran can own a home with a greatly reduced level of personal financial risk. High employment rates and the stabilization in housing costs have also contributed to the increased number of foreclosures. The VA does, however, have control over certain other factors which contribute to Government losses under the program. It was the Committee's intent to address areas of the program in which changes could be made in order, to the maximum extent consistent with the purposes of the program, move the program towards solvency.

At hearings held in February, May, and October of 1985 testimony was provided by the VA, the veterans' service organizations, and various representatives from the mortgage banking and real estate communities concerning the VA loan guaranty program. The VA testimony generally reflected the view that although the program is presently experiencing financial difficulty, the program is being administered in a responsible fashion and any necessary changes are now being made. Specific recommendations to improve the VA loan guaranty program, however, were received by the Committee from concerned organizations and associations. The Committee considered all of the testimony and recommendations and has incorporated, in the Committee bill, various provisions reflecting the objectives of a number of the recommendations.

## Committee Bill Provisions

### *Credit Underwriting and Loan Processing Standards*

The Committee received testimony indicating that the VA could greatly improve its method of determining the credit worthiness of veteran applicants. Furthermore, the Committee found that a significant number of foreclosures on VA-guaranteed loans involve veteran homeowners whose credit histories and income levels did not support approval for their loan guarantees. In his September 30, 1985, audit of VA loan approval practices, the VA Inspector General reported that 14.1 percent of the loans guaranteed by the VA in fiscal year 1982 should not have been approved because the veterans receiving those loans were not satisfactory credit risks. Of that 14.1 percent, more than half have already resulted in foreclosure.

It is the opinion of the Committee that veterans are not properly served if they are permitted to purchase homes with loans which they cannot afford and which are, therefore, likely to end in forclosure. It is the intention of the Committee to ensure that the VA guarantees only those loans for which the veteran is creditworthy. Towards that end, section 302 of the Committee bill (which is derived with modifications from section 306 of S. 1788) would amend section 1810 of title 38 to include a provision which would require the Administrator to establish credit underwriting standards to be applied to all applications for a VA loan guaranty. The standards would include specific-to-income ratios, which veteran applicants would include specific debt-to-income ratios, which veterans applicants would have to meet in order to qualify for a VA guaranty. vary in different locations. The Committee bill would also require that the credit underwriting standards established by the Administrator include criteria for evaluating the reliability and stability of the veteran applicant's income and include procedures for ascertaining the monthly income required by the veteran in order that the veteran could meet the anticipated loan payment terms. The credit underwriting standards established by the Administrator and prescribed in regulation would be required generally to reflect the underwriting principles and practices of commercial lending institutions with respect to loans with comparable security arrangements.

In an effort to ensure that the standards which would be prescribed by the Administrator would be adhered to by the lenders, the Committee bill would require that lenders making loans to be guaranteed by the VA certify to the VA that the loan was processed in accordance with the standards prescribed by the Administrator, and that to the best of the lenders knowledge and belief the veteran meets the prescribed credit underwriting standards. In any case in which the Administrator determines that the lender knowingly and willfully made a false certification as to the credit worthiness of the veteran, the lender would be liable to the United States Government for a civil penalty equal to two times the amount of the loss or to another appropriate amount not to exceed $10,000, whichever is greater. In a case in which the Government incurs no loss (or a loss of less than $5,000) the Administrator would have discretion to tailor the amount of the penalty to fit the circumstances.

The Committee believes that, while it is important to ensure that veterans meet established standards to credit worthiness to qualify for a VA loan guaranty, there will undoubtedly be certain veterans who do not meet these criteria, but may, nonetheless, be satisfactory credit risks. For this reason, under the Committee bill, the Administrator, or officials designated by him, in extraordinary situations, after having considered all the circumstances, would be authorized to waive the prescribed credit underwriting standards and approve a loan guaranty for a veteran who would otherwise not have received one. The Committee expects such waivers would be granted only in those cases in which it can be clearly demonstrated that, although the veteran does not meet all of the prescribed credit standards, the veteran is a satisfactory credit risk with respect to the loan in question.

The Committee bill would also provide that the loan underwriting standards established by the Administrator would be applied in the cases of individuals making application to the VA for vendee loans (loans made for the purchase of property which has been acquired by the VA).

### *Loan Guaranty Amount*

Section 303 of the Committee bill (which is derived with modifications from section 302 of S. 1788 and from S. 9) would provide for an increase in the maximum amount which may be paid as a guaranty to the holder of a loan for a conventional home. There has not been an increase in this amount since 1980 when it was raised from $25,000 to $27,500. Since that time, the median housing price has risen by approximately 22.5 percent. The Committee bill would raise the amount from the current level of $27,500 to $33,500, and thereby afford qualified veterans a better opportunity to utilize the program in all areas of the country.

### *Default Notification and Foreclosure Procedures; Foreclosure Information*

Section 304 of the Committee bill (which is derived with modifications from section 303 of S. 1788) includes provisions reflecting procedures which would be followed in cases of default and foreclosure on VA-guaranteed loans. The Committee bill includes a statutory requirement that in any such case in which a veteran has failed to make 2 monthly payments in full, the holder of the loan in default would promptly submit written notice of the default to the VA. The VA would then be required to notify the veteran, within 15 days of receipt of the default notification from the holder of the loan, of the consequences of allowing the loan to continue in defualt, including the requirement for the lender to proceed with foreclosure if the default is not cured by a specified date. The Committee intends that correspondence from the VA to veterans with loans in default should be aimed at increasing the cure rate of those loans. The Committee is of the opinion that failure to make 2 monthly payments in full constitutes a default of a sufficiently serious nature to warrant prompt remedial action.

Section 304 of the Committee bill also would require the holder of a loan to initiate foreclosure proceedings on that loan in the event that the veteran fails to make 4 monthly payments in full. This action would be required within 15 days after the date on which that fourth payment was due, but would not be required if an agreement of forebearance, approved by the Administrator, is reached by the parties to the loan. This provision was included in the bill so as to reduce the loss to the VA as a result of interest accrued between the time that the veteran defaults on a loan and such time as a final foreclosure decision is rendered. The Committee does not intend for this provision to preclude, at any time before or after foreclosure proceedings have been initiated, efforts to cure the default.

The Committee bill would also relieve the VA of liability for interest accruing between the date on which the holder of the loan in default would be required, under the Committee bill, to initiate foreclosure proceedings but fails to do so, and the date on which foreclosure proceedings are actually initiated. This provision is intended to protect the VA from a loss resulting from negligence on the part of the holder of the loan in default.

Finally, section 304 of the Committee bill would require the Administrator to compile information on common factors which the Administrator finds contribute to foreclosures on loans guaranteed by the VA, and to make reports to Congress on this findings. The reports would be required to include information on the number of foreclosures experienced during the period covered by the report and statistical information on the factors which caused the defaults and subsequent foreclosures, such as poor underwriting, loss of employment or divorce. The Committee expects that the report would also include information detailing the total amount of loss incurred by the VA during the period covered by the report, as a result of the foreclosures.

### *Competitive Contracting Requirements*

Section 305 of the Committee bill would conform the contract amount above which contracts for service or supplies for the VA's loan guaranty program are required to be formally advertised to the amount provided for in section 5 of title 41, relating generally to Government contracts for service and supplies.

Under section 1820(b) of title 38, contracts for services or supplies for the VA's loan guaranty program (including property management and sales program contracts) in excewss of $1,000 are required to be advertised formally before being awarded.

In 1945, when this $1,000 threshold was established with respect to the VA's home loan guaranty program, the law relating to public contracts for services and supplies, required that Federal contracts in excess of $100 be formally advertised before being awarded. Since that time, this law has been periodically amended to reflect the increased costs of items purchased by the Government and the reliance on simplified purchasing procedures for contracts below the threshold. At the present time, the title 41 threshold is $25,000.

In a May 2, 1985, letter to the President of the Senate, the Administrator proposed legislation to increase the $1,000 threshold to $25,000 and, in support of that proposal, cited the desirability of achieving consistency for the title 38 threshold with the title 41 threshold.

The Committee concurs with the VA's suggestion that the thresholds be made consistent; however, rather than raising the threshold to any specific figure, the Committee bill would make a cross-reference in section 1820(b) of title 38 to the chapter 41 provision and thereby avoid the necessity of making any future adjustments to maintain this consistency.

### *Authority to Transfer Funds*

Section 306 of the Committee bill would provide the Administrator with the authority to have available funds transferred from the Direct Loan Revolving Fund (DLRF) to the Loan Guaranty Revolving Fund (LGRF).

From its inception in 1944 until 1961, the VA's home loan guaranty program was funded through appropriations (totaling $730 million) to the VA's readjustment benefits account. In 1962, the LGRF was established for the dual purposes of paying program costs and receiving program collections. In only 6 of the years since 1962, has the LGRF operated at a surplus. In 11 of the years since 1962, infusions of outside funds were necessary, and until fiscal year 1984, these were achieved through transfers from the unobligated balances of the DLRF. The total amount of such transfers has exceeded $1.8 billion.

The DLRF was originally established in 1950 to provide direct VA loans to veterans living in remote rural areas where commercial lending sources were not available. Because the direct loan program charges interest on its loans, in much the same fashion as a private mortgage lender, it eventually began to accumulate a surplus. The program was closed, effective in March 1981, for all loans other than those made in connection with specially adapted housing grants to severely disabled veterans, because private credit had become generally available in all areas of the country. Accordingly, the number of new direct loans made by the VA has declined from a high of nearly 28,000 in fiscal year 1960 to a projected total of 15 in the current fiscal year. Concurrently, the VA has been implementing an Administration-wide policy of selling Federal assets, such as the VA's portfolio of outstanding direct loans, wherever feasible, to reduce the budget deficit. Nearly the entire direct loan portfolio has now been sold. Thus, substantial unobligated balances in the DLRF are not likely to be available for transfer to the LGRF in the future.

The Administration proposed, in connection with its fiscal year 1986 budget submission, that the authority to transfer funds from the DLRF to the LGRF—an authority historically included in annual appropriations measures—not be provided in the future "so as to reflect the true cost of the guaranty program".

The Committee does not believe that eliminating the Administrator's authority to transfer funds from the DLRF to the LGRF is necessary in order for the true cost of the VA's home loan guaranty program to be made known or properly assessed. According to the VA's fiscal year 1986 budget, there is projected to be an unobligated balance in the DLRF at the end of the fiscal year of slightly more than $122 million. Since these funds and future unobligated balances would seem not to be needed to support the direct loan program, the Committee intends that the Administrator should have the flexibility to transfer funds to the LGRF to the extent that the funds are not needed for the direct loan program. Thus the Committee bill would make permanent in title 38 the authority to direct a transfer of funds in excess of projected needs from the DLRF to the LGRF, and would require the Administrator to notify the appropriate Committees of Congress within 30 days of any such transfer.

### *Use of Attorneys in Home Loan Foreclosures*

Public Law 98-369 authorized the Administrator, upon concurrence from the Attorney General, to acquire the services of fee-basis attorneys to exercise the right of the United States to bring suit in Federal court to foreclose on loans made or acquired by the VA, and to recover property on behalf of the VA. Section 307 of the Committee bill (which is derived from section 305 of S. 1788) would amend that law to provide the Administrator with the authority to acquire the services of such attorneys without the concurrence of the Attorney General. The Committee has learned that concurrence is being withheld by the Attorney General for the Administrator to use fee-basis attorneys, and the Administrator is therefore being denied the use of an authority which the Congress intended. This bill would provide the Administrator with that authority. The Committee, however, wishes to emphasize that the activities of the fee-basis attorneys in bringing suit would, under section 1830 of title 38, continue to be subject to the general direction and supervision of the Attorney General and to such terms and conditions as the Attorney General may prescribe.

### *Appraisals*

The VA's system of retaining appraisers and the quality assurance checks for the appraisals performed have been the subject of recent criticism. On September 30, 1985, the VA Inspector General issued a report entitled "Audit of VA Loan Guaranty Fee Appraisal System". The following is a paragraph from the summary of that report:

> Appraisal standards for VA guaranteed mortgages need to be tightened. VA staff desk and field reviews of fee appraisal reports did not ensure identification of unsupported property value determinations. Certificate of Reasonable Value (CRV) increases were not justified or based on sound appraisal techniques. Guidelines for monitoring fee appraiser performance did not require adequate documentation from the fee appraisers and were not sufficiently detailed. Regional office criteria for conducting field reviews of fee appraisal reports did not ensure appropriate properties were reviewed. Also, existing criteria for conducting field reviews were not always followed. In addition, an ongoing investigation has shown numerous fraudulent appraisals were processed through the VA system resulting in significant losses to HUD based on their acceptance of VA CRV's.

The provisions of section 308 of the Committee bill have been designed to improve the quality assurance of the VA loan guaranty appraisal process. The Committee bill would require specific steps to be taken in order to help prevent future Government losses due to poor appraisals.

First, section 308 of the Committee bill would require the Administrator to prescribe uniform qualifications to be met by all appraisers appraising property to be used as security on loans guaranteed by the VA. The Committee expects the prescribed qualifications to reflect the prevailing standards in the appraisal field.

Second, the Administrator would be required to develop a standardized examination to be successfully completed by each appraiser before that appraiser could be included on the VA's approved list. The examinations would test appraisers on their professional competence in general, but would also reflect differences in local appraising practices. The VA thus could not use appraisals performed by appraisers who had not met the uniform qualifications and had not successfully completed the standardized examination.

Third, section 308 would require the Administrator to consult with representatives from the mortgage banking community in each appropriate local area to determine which qualified appraisers should be considered for inclusion on the VA's lists of approved appraisers for that area. The Committee believes the VA could benefit from lenders' professional knowledge and opinions regarding local appraisers. The Committee also expects the VA to consider all recommendations regarding specific appraisers before it places those appraisers on the approved list.

Fourth, appraisers would be selected on a rotating basis by the VA from the lists of qualified, approved appraisers to perform appraisals for the VA.

Fifth, under section 308 of the Committee bill, the VA would be required to furnish the lender proposing to make a VA-guaranteed loan with a copy of the appraisal of the property before issuing a certificate of reasonable value (CRV) for that property. The lender, if not satisfied with the initial appraisal, would be authorized, within such time period as the Administrator would prescribe to obtain a second appraisal. The second appraisal would be performed by an appraiser chosen by the lender from the VA list. The VA would be required to review and consider both appraisals before issuing a CRV. The Committee believes that allowing the lender to review and question the appraisal would provide a fair and balanced mechanism to be used in the appraisal process.

Sixth, section 308 would require the Administrator to establish fee limitations for VA-approved appraisers which would allow those appraisers to be paid on a level comparable to the prevailing market rate. The Committee believes that one way in which to provide quality assurance of appraisals is to ensure that those appraisers making the appraisals are paid at rates competitive with the rates generally paid in the conventional market.

Finally, the Committee expects the Administrator to ensure that improvements in the monitoring of the appraisal system are made and that such improvements are consistent with the VA Inspector General's recommendations from the September 30, 1985, audit of the fee-appraisal system.

### *Furnishing Information to Real Estate Professionals to Facilitate the Disposition of Properties*

Section 309 of the Committee bill (which is derived with modifications from section 307 of S. 1788) would require the Administrator to furnish information regarding the availability of VA acquired property and the VA's procedures for disposing of such property to real estate brokers and other real estate sales professionals. The Committee received indication that a lack of knowledge within the real estate community with respect to the VA property management and disposal system has contributed to the inordinate length of time it has historically taken for the VA to dispose of its acquired properties. It is the opinion of the Committee that an increased awareness on the part of the real estate industry as to availability of, and procedures for obtaining VA held properties, would serve to facilitate a more timely disposition of those properties and thus help to reduce losses in the loan guaranty program.

### *Task Force on Management and Disposition of Property*

Section 310 of the Committee bill (which is derived with modifications from section 308 of S. 1788) is a free-standing provision which would require the Administrator to establish a Task Force on Management and Disposition of VA Property. The Task Force would exist for a period of 3 years and consist of representatives from the real estate industry, including residential property management organizations, and the VA. The Committee believes that better communication between the real estate industry and the VA could serve to ensure that efficient property management and disposition techniques are practiced within the VA, and that the VA is aware of current developments in those areas. Section 310 of the Committee bill incorporates these ideas by establishing the Task Force to achieve that purpose. The Task Force would also be charged with the responsibilitly of advising the Administrator on ways in which the VA could improve its system of property management and disposition.

The Administrator would be responsible for determining the number of individuals to serve on the Task Force, and appointing the members to the Task Force. The Administrator would also be responsible for specifying the length of time which the members are to serve.

The Committee bill would require the Task Force to submit two reports to the Administrator detailing its activities. The first report would be submitted not later than 16 months after the Task Force is established and the second by the day before the date on which the Task Force is terminated. The reports would include recommendations relating to the VA's property management and disposition practices, current developments in the field, and ways in which the VA could improve its practices. The Administrator would be required to provide the Veterans' Affairs Committees of the Senate and the House of Representatives with copies of all reports submitted by the Task Force within 30 days of receipt of such reports.

### *Property Management and Disposal Pilot Program*

With a foreclosure rate of approximately 2,500 properties a month, the VA has been burdened with an inventory of acquired property which fluctuates at a level close to 20,000. Much of the loss that the VA has realized in the loan guaranty program is the result of the inordinate length of time it has taken for the VA to dispose of real property once it has been acquired.

VA losses on a particular property generally increase as the management costs for that property increase. Management costs to the VA are increased the longer the VA holds title to the property.

Additionaly, during the time the VA holds the title to a property, it risks a greater chance of that property depreciating due to dilapidation or a decline in housing demand. The Committee believes that the pilot program established under section 311 of the Committee bill could provide the VA with an effective and efficient alternative to its present in-house property management and disposition practices.

Section 311 of the Committee bill (which is derived with modifications from section 304 of S. 1788) is a free-standing provision which would provide for a Property Management Pilot Program to be conducted during the period beginning April 2, 1986, and ending September 30, 1987, in order to determine the effectiveness, feasibililty, and desirability of contracting with a commercial organization for the management and disposal of acquired property. The bill would require the Administrator to designate a representative sample equal to 10 percent of the total VA inventory, which would be managed and disposed of by commercial organizations with which the VA would contract. The Committee intends that the VA would enter into contracts with one or more commercial organizations which would be required to use local real estate brokers and other real estate sales professionals in the disposition of the designated properties. Those organizations would be permitted, but not required, to use brokers and sales professionals to manage the properties prior to their sale.

The Committee bill would require the Administrator to provide the Veterans' Affairs Committees of the Senate and the House of Representatives with a report on the pilot program not later than February 1, 1988. The report would be required to include the Administrator's assessment of the cost-effectiveness of contracting with commercial organizations for the property management and disposition functions of the loan guaranty program, taking into account the quality of property management and the timeliness of property disposition provided under the pilot program. The report would also include a comparison of the cost of management and disposition of property under the pilot program to the cost of management and disposition of property by the VA. The Administrator would be required to report on the effects the pilot program had on the functions and duties performed by VA staff. The Administrator would also be required to include in the report any recommendations for legislation regarding the management and disposition of VA acquired property as may be appropriate.

### *Effective Dates*

Generally, the provisions of the Committee bill would become effective upon enactment; however, section 312 of the Committee bill provides that sections 302 (Credit Underwriting and Loan Processing Standards), 303 (Loan Guaranty Amount), 304 (Default Notification and Foreclosure Procedures; Foreclosure Information), and 308 (Appraisals) would take effect September 1, 1986. The Committee believes that sufficient time would thereby be provided in order to develop and prescribe the new regulations.

## TITLE IV: NATIONAL CEMETERY SYSTEMS

### *National Cemetery Grave Markers*

Section 401 of the Committee bill (which is derived from section 401 of S. 1788) would require the Administrator, by July 1, 1986, to designate an area in each national cemetery which would be reserved for graves with upright markers. National cemeteries already in operation on January 1, 1986, where graves are exclusivly marked with flat markers would be exempted from this requirement. All markers placed on graves of individuals who die on or after July 1, 1986, would be flat markers unless an upright marker has been requested and space is available in a national cemetery in an area designated for upright markers.

This provision of the Committee bill is intended to meet the concerns of veterans and their families who wish to have the choice of an upright marker in a time when private sector cemeteries as well as the VA cemeteries have generally chosen to utilize flat markers. The Committee realizes that the uses of flat markers is a more cost-effective alternative, producing significantly more burial spaces, nevertheless, the Committee believes that veterans and their families should be given a choice with respect to this very personal matter.

### *Report on the National Cemetery System*

Section 402 of the Committee bill (which is derived with modifications from S. 622) would require the Administrator to submit, 18 months and 60 months after the date of enactment, respectively, two reports on the future of the National Cemetery System.

The National Cemetery System, operated by the VA under chapter 24 of title 38, was originally established to provide burial space for the thousands of soldiers killed during the Civil War. For reasons of efficiency, the initial cemeteries were located in close proximity to battlefields and hospitals. Originally administered by the Department of the Army, jurisdiction for the system, which now consists of 109 national cemeteries, was transferred to the Veterans' Administration in 1973.

When the VA assumed responsibility for the system, one of its goals was to devise a means of achieving a regional balance in the location of cemeteries. Thus, it adopted what has become known as the "regional concept". Under this approach, a large national cemetery was established in each of the 10 Federal regions of the United States, as well as one in Quantico. Virginia.

In addition, under section 1008 of title 38, enacted in 1978, the VA administers a program of matching-fund grants for the establishment, expansion, and improvement of State veterans' cemeteries.

With the regional concept having, for all intents and purposes, been fully implemented, there are concerns as to the future of the system, its ability to serve the needs for burial spaces for deceased veterans, and the extent to which an appropriate distribution of available spaces will be achieved.

Thus, the Committee bill, would require two reports on the system. Each report would be required to include a detailed plan for the operation of the system through the year 2020, a priority listing of the 10 areas in the United States most in need of additional burial space, assessments of the desirability and feasibility of acquiring existing State veterans' cemeteries and the role of such cemeteries in meeting the needs of veterans, and general plans for any anticipated expansion of the system.

### *Memorial Areas in Arlington National Cemetery*

Section 403 of the Committee bill (which is derived from section 402 of S. 1788) would amend chapter 75 of title 10, United States Code, by adding a new section, section 1491, which would allow the Secretary of the Army to set aside a suitable area or areas in Arlington National Cemetery for markers or appropriate memorials to honor the memory of members of the Armed Forces and veterans who are missing in action, whose remains have either not been recovered or identified, whose remains were buried at sea, or whose remains were cremated without interment of the ashes.

The provision parallels section 1003 of title 38, which required the Administrator of Veterans' Affairs to set aside such areas in cemeteries in the National Cemetery System, which are within the Veterans' Administration's jurisdiction.

The Committee on Armed Services has expressed no opposition to the inclusion of this provision, which affects a cemetery under the jurisdiction of the Department of Defense, in the Committee bill.

## TITLE V: MISCELLANEOUS PROVISIONS

### *Clarification of Requirement for Detailed Plan and Justification for Administrative Reorganization*

Section 501 of the Committee bill (which is derived from section 3 of S. 1397) would define the term "detailed plan and justification" for purposes of section 210(b)(2) of title 38, United States Code, relating to certain administrative reorganizations of VA facilities, including the VA's proposal of February 1, 1985, to consolidate certain functions from 59 regional offices into processing centers.

Section 210(b)(2) provides, in part, that the VA may not in any fiscal year implement a reorganization involving a more-than-10-percent reduction in the number of full-time equivalent employees at any VA facility with more than 25 employees unless the Administrator, not later than the date on which the President submits the budget for that year, provides "a report containing a detailed plan and justification for the reorganization."

The Committee bill would amend section 210(b)(2) to clarify what a detailed plan and justification for a proposed reorganization must entail. It would define the term "detailed plan and justification" to include at a minimum a number of specific items, including (1) a specification of the number and responsibilities of the employees to be added to or removed from each office that is affected; l(2) a description of the changes in functions that would occur at the affected offices; (3) an explanation of the reasons why it has been determined that the reorganization is appropriate and advisable in terms of the statutory missions and long-term goals of the Veterans' Administration; (4) a description of the effects that the reorganization may have on the provision of benefits and services to veterans and dependents of veterans (including the provision of benefits and services through offices and facilities of the VA not directly affected by the reorganization); and (5) an estimate of the cost of implementing the reorganization and the subsequent cost impact of the reorganization.

Under the Committee bill, these minimum requirements for specificity would generally apply only with respect to reorganizations proposed to be carried out in fiscal year 1987 and subsequent fiscal years. It would, however, apply retroactively to the February 1, 1987, proposal to consolidate various Department of Veterans' Benefits regional office activities into 3 processing centers so that a new section 210(b)(2) notice with the above-described specificity would have to be submitted to the Committees on Veterans' Affairs in order for that reorganization to be implemented, and the earliest that could occur would be October 1, 1986.

### *Definition of Vietnam Era*

Section 502 of the Committee bill (which is derived from section 2 of S. 6) would, effective on the date of enactment, expand the definition of the Vietnam era for the purposes of title 38, United States Code, to include the period beginning on February 21, 1961, and ending on August 4, 1964, in the case of those who served in Vietnam during that time. On July 8, 1985, an identical provision (that would have taken effect on October 1, 1985) was included in section 201 of S. 876 as reported, the proposed "Veterans' Administration Health-Care Programs Improvement Act of 1985". The provision in the Committee bill would somewhat expand the population of wartime veterans and survivors eligible for, among other benefits, the VA's needs-based non-service-connected pension program and, thus, would involve new entitlement spending—as would the provisions of section 503 of the Committee bill (previously contained in section 502 of S. 876 as reported), which would provide for certain remuneration to be disregarded for purposes of determining and calculating the amount of a veteran's or survivor's VA pension entitlement.

In specific contemplation of the provisions being included in this later Committee bill, both of these sections of S. 876 as reported were deleted from that bill on a motion of the Committee during consideration by the Senate of that bill on July 30, 1985.

Rather than reiterate the explanation of and justification for this provision dealing with the expanded definition, which are set forth in the portion of the "Discussion" in the Committee's report on S. 876 dealing with section 201 as reported (S. Rept. No. 99-101, pages 45-47), the Committee incorporates that portion of that report by reference.

### *Effect of Payment for Therapeutic and Rehabilitation Activities on Pension Entitlement*

Section 503 of the Committee bill (which is derived from section 6 of S. 6) would specify that, effective with respect to VA pension payments made on or after January 1, 1986, any remuneration provided to veterans for participation in certain VA work-therapy programs will not be counted as income for the purposes of VA pension programs. On July 8, 1985, an identical provision (that would have become effective October 1, 1985) was included by the Committee in section 502 of S. 876 as reported, the proposed "Veterans' Administration Health-Care Programs Improvement Act of 1985". For the reasons noted above, in the discussion of section 502 of the Committee bill ("Definition of Vietnam Era"), section 502 of S. 876 was deleted by a Committee floor amendment in contemplation of it being included in this Committee bill.

Rather than reiterate the explanation of and justification for this provision set forth in the portion of the "Discussion" in the Committee's report on S. 876 dealing with section 502 of that bill (S. Rept. No. 99-101, pages 104-105), the Committee incorporates that portion of the report by reference.

In addition, the Committee calls attention to a report of the Controller General which has been completed since then, entitled "Impact of Offsetting Earnings from VA's Work Therapy Programs from Veterans' Pensions", which found that "[a]lthough the number of veterans affected by the work therapy/pension offset is small, the offset has had detrimental effects on those veterans and on the work therapoy programs themselves."

### *Estate Limitations Relating to Incompetent Institutionalized Veterans*

Section 504 of the Committee bill (which is derived from section 504 of S. 1788) would increase from $1,500 to $6,000 the value of the estate allowed a hospitalized incompetent veterans without dependents before suspension of compensation or pension benefits. The Committee bill would also increase from $500 to $2,000 the amount to which an estate must be reduced before payments may be resumed.

Under current law (section 3202(b)(1) of title 38, United States Code), pension and compensation benefits paid to an incompetent veteran (having no spouse or child) who is hospitalized or institutionalized at Government expense must be discontinued if the veteran's estate equals or exceeds $1,500. Pensions or compensation benefits may not be reinstated until the estate is reduced to $500.

In section 402 of Public Law 98-543, enacted on October 24, 1984, the Congress excluded the value of a veteran's home from the computation of the value of the estate of such a veteran and authorized the VA to waive interruption of benefits in cases of hardship. However, the Committee notes thats the $1,500 and $500 figures have not been adjusted for inflation since they were codified in 1946. Inflation since 1946 has dramatically reduced the current purchasing power of the funds available to an incompetent veteran subject to this provision. Today a veteran discharged from care with the minimum amount ($500) would have buying power equal to far less than one-half of a month's benefit at the 100 percent rate ($1,335, as proposed to be increased by section 101(a)(10) of the Committee bill).

While current law allows the requirement for interruption of benefits to be waived in order to avoid hardship, the Committee notes that in practice the benefit is interrupted until a waiver is requested on behalf of the veterans and granted by the VA.

### *Evaluation of the Needs of Native American Veterans*

Section 505 of the Committee bill (which is derived from section 404 of S. 1788) would direct the Administrator to establish an advisory committee to evaluate the effectiveness of VA programs and activities in meeting the needs of veterans who are Native Americans, including Alaska natives.

Native Americans have a long and distinguished record of service in the Armed Forces of the United States. Their service and subsequent readjustment has taken place in the context of cultural and economic conditions different from those of many other veterans. No study directed at the particular readjustment needs of Native American veterans has ever been undertaken by the VA. Differences between Native Americans and their non-native counterparts as well as the diversity within the Native American population merit an evaluation to identify situations or needs unique to Native Americans and the effectiveness of VA programs and services designed to meet those needs. The Committee intends that the evaluation take into account the wide range of cultures, economics, and geographic locations found within the Native American population: For example, the differences between the conditions and lives of Alaska natives and the Pueblo cultures of the southwest; the differences between a subsistence economy and a market economy; and the differences between life on a reservation and life in a modern urban setting.

Thus, the Committee bill would require the Administrator to establish an advisory committee, consisting of representatives from the VA, the Department of Labor and representatives of Native American veterans, including Alaska natives and Native American veterans with service-connected disabilities, as well as experts familiar with the health-care and readjustment needs of Native Americans. The advisory committee would be responsible for conducting an evaluation on the extent to which the VA's programs and activities meet the needs of Native American veterans. It is the Committee's intent that, in making the evaluation, the advisory committee fully utilize information and studies that have been obtained or completed by Federal or State departments or agencies.

The advisory committee would report its findings to the Administrator by August 1, 1987. The Administrator would be required to forward those findings, along with the Administrator's comments and recommendations, to the Senate and the House Committees on Veterans' Affairs not later than October 1, 1987. By August 1, 1988, the advisory committee would be required to make a follow-up report on the Administrator's actions with respect to its recommendations, and, by October, 1, 1988, the Administrator would be required to submit this report to the Congressional Committee, together with appropriate recommendations.

### *Collocation of Regional Offices and Medical Centers; Assessment of Combining Nearby Regional Offices*

Section 506 of the Committee bill (which is derived from section 408 of S. 1788) would require the VA to prepare and submit to the Committees on Veterans' Affairs of both the Senate and House by June 1, 1986, a plan to collocate at least 7 Department of Veterans' Benefits regional offices on the grounds of VA medical centers. The Committee bill would require the VA to include in the plan a complete description and analysis of the costs and advantages involved in such collocations. It would also require an analysis of costs and advantages of sharing support services between the collocated Department of Veterans' Benefits regional offices and the Department of Medicine and Surgery's medical facilities and any other advantages or any disadvantages of collocation. These services would include but are not limited to, personnel, supply, administration, and finance. In addition, the VA may submit any assessment made of the costs, benefits, and impact on service to veterans of combining the functions of certain regional offices now located in close proximity to each other.

The VA currently rents, at considerable cost, space for 49 of its 58 regional offices from the General Services Administration or the private sector. The Committee believes that by providing an alternative to rent payments, collocation would be an effective way to reduce long term costs while maintaining local benefits offices. The Committee urges the VA to keep the Congress informed. Nine regional offices are currently located at VA medical centers and two, Fargo, North Dakota, and Witchita, Kansas, are in the process of being collocated. The VA has identified up to 27 regional offices as possible candidates for collocation. It is expected that the 7 regional offices for which a collocation plan is required will include the two (Fargo and Witchita) where collocation has already begun. The Committee expects the VA to study and provide information on the costs, advantages, and disadvantages of collocating additional regional offices, beyond the 7, to the maximum extent feasible.

The provision directing a report on the costs, advantages, and disadvantages of the collocated facilities sharing support functions is intended to help determine if there are duplicate support services being provided at VA regional offices and medical centers that could be eliminated and whether such support services can other wise be adequately provided more cost-efficiently as a result of collocation. The Committee believes that such streamlining could allow the VA to provide improved service to veterans at reduced cost. Veterans' service organizations have indicated their support for the collocation of regional offices on the grounds of VA medical centers, where feasible, as a means of providing improved service to veterans.

### *Requirement for Vietnam-Experience Epidemiological Study of the Health of Women Vietnam Veterans*

Section 507 of the Committee bill (which is derived with modifications from S. 1616) would require the VA to provide, unless it is not feasible to do so, for epidemiological study of the health of women Vietnam veterans, to be carried out by a non-VA entity under contract, designed to detect gender-specific and other health effects in women Vietnam veterans that might be related to their service in Vietnam.

Regarding health care for these individuals, Congress enacted in 1981 a measure, contained in Public Law 97-72, which provides certain veterans—those who during their service were exposed to dioxin or other toxic substances used in herbicides or defoliants in Vietnam or to ionizing radiation from nuclear detonations—with interim eligibility for priority health care from the VA for the treatment of disabilities which cannot be attributed to a cause other than the exposure in question, and which would be extended until September 30, 1989, by H.R. 505 as passed by the House of Representatives and the Senate and cleared for the President on November 14.

The major research endeavor in this field, the epidemiological study of the health of Vietnam veterans—currently being conducted pursuant to the mandate in Public Law 96-151 (as amended by Public Law 97-72) by the Centers for Disease Control—includes three major components: An Agent Orange Study, a Vietnam Experience Study, and a Selected Cancers Study. It is expected that this study will provide some very important information regarding possible long-term adverse health effects from exposure to Agent Orange and other factors related to military service in Vietnam.

Although there is no dispute that this CDC-conducted study of 30,000 male Vietnam veterans will yield a significant level of information regarding general health issues for Vietnam veterans in general—male and female alike—it will not provide any information about the unique experiences and gender-specific concerns of women Vietnam veterans. Thus, since early 1984, members of this Committee and the House Committee on Veterans' Affairs have urged the Executive Branch to utilize existing authorities to design and undertake an appropriate study of women Vietnam veterans. No such study has been undertaken; therefore, the Committee bill includes this provision to mandate such a study.

The provision in the Committee bill would mandate, unless it is determined by the Administrator to be not scientifically feasible, a Vietnam experience study—study of the long-term health effects of military service in Vietnam—rather than an Agent Orange-specific study, because of significant concerns expressed by the scientific community and others regarding whether it is possible to develop a sufficiently large cohort of women who may have been exposed to Agent Orange in Vietnam to ensure the scientific validity of such a study. Although the legislative mandate would be limited to study of how the general health of women Vietnam veterans compares to the health of other women veterans who did not serve in Vietnam, the Committee notes that the Committee bill would authorize the study, to the extent feasible, to include a specific focus on health effects that may be related to Agent Orange exposure.

The Administrator would be required to publish a request for proposals for the design of the study protocol no later than April 1, 1986. Once a protocol is developed, it would have to be submitted to the Director of the Office of Technology Assessment for the Director's approval. Also, once the OTA Director approves the protocol, the Director would have an ongoing responsibility to monitor the conduct of the study in order to ensure compliance with the protocol.

In connection with both the approval process and the ongoing monitoring effort, the OTA Director would be required to submit reports to the Congress at intervals specified in the Committee bill. The Administrator would also be responsible for submitting periodic reports on the progress of the study and the Administrator's recommendations for action in light of the study results.

## RESOURCES

The Committee notes that no provision of the Committee bill expressly authorizes any new or additional fiscal year 1986 appropriations. The Committee intends that any expenses incurred during that fiscal year in implementing the provisions of the Committee bill, other than those in title I to increase the rates of compensation and DIC, be paid from otherwise available resources.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, November 26, 1985.*

Hon. FRANK H. MURKOWSKI,
*Chairman, Committee on Veterans' Affairs,*
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for the draft Committee print of the Veterans' Compensation and Benefits Improvements Act of 1985, as ordered reported by the Senate Committee on Veterans' Affairs on October 31, 1985.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes.

Sincerely,

ERIC HANUSHEK
(For Rudolph G. Penner, Director).

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Draft Committee Print.
2. Bill title: The Veterans' Compensation and Benefits Improvements Act of 1985.
3. Bill status: As ordered reported by the Senate Committee on Veterans' Affairs, October 31, 1985.
4. Bill purpose: To increase the rates of disability compensation and of dependency and indemnity compensation (DIC) by 3.1 percent, to improve veterans' educational benefits, to increase the efficiency of the home-loan guaranty program, and for other purposes.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | 270 | 311 | 303 | 300 | 294 |
| Outlays | 232 | 263 | 213 | 190 | 175 |

The cost of this bill would fall in budget function 700.

### *Basis of Estimate*

The following section-by-section cost analysis only addresses those sections of the bill that could be expected to have a significant budgetary impact.

### *Title I*

This title would increase the monthly benefit rates for disability compensation and DIC by 3.1 percent. The increase would be effective December 1, 1985.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | 261 | 307 | 300 | 293 | 285 |
| Outlays | 235 | 307 | 300 | 293 | 286 |

The cost of this title was estimated by multiplying the average costs in each year for all disability compensation cases and for all DIC cases 3.1 percent. The resulting average increases in costs per year were then multiplied by the estimated number of cases in each program each year to calculate the annual cost. Future annual cost and caseload levels were projected according to historical trends for veterans and survivors by period of service.

The baseline for the First Concurrent Resolution on the Budget for Fiscal Year 1986 assumes a cost-of-living adjustment in compensation rates of 4.1 percent. This provision, by increasing compensation rates by only 3.1 percent, would reduce spending in the compensation program below the levels assumed in the budget resolution by the following amounts:

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | −84 | −102 | −104 | −106 | −107 |
| Outlays | −76 | −102 | −104 | −106 | −107 |

### *Title II*

*Section 201.*—This section would provide for educational assistance for apprenticeship, on-the-job, and correspondence training under the Veterans' Educational Assistance Act of 1984, the "New GI bill". This would benefit only individuals who elect to participate after this provision is enacted. For purposes of this estimate CBO assumed an enactment date of January 1, 1986.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Readjustment benefits: | | | | | |
| Budget authority | 0 | 0 | 0 | 2 | 4 |
| Outlays | 0 | 0 | 0 | 2 | 4 |
| Contributions: | | | | | |
| Budget authority | −2 | −2 | −2 | −1 | 0 |
| Outlays | −2 | −2 | −2 | −1 | 0 |
| Total: | | | | | |
| Budget authority | −2 | −2 | −2 | 1 | 4 |
| Outlays | −2 | −2 | −2 | 1 | 4 |

Approximately four percent of all veterans receiving benefits under the Vietnam Era GI Bill in 1984 were pursuing a program of apprenticeship or on-the-job training. CBO assumed that if on-the-job training or apprenticeship training were available under the New GI Bill, the number of veterans that would elect to train would increase by approximately four percent. CBO assumed that offering correspondence training, which is reimbursed at a lower rate than other types of training, would not cause an increase in the number of participants in the program.

Of the veterans that elect to receive on-the-job or apprenticeship training, it is assumed that an insignificant number would have been offered additional educational benefits for filling jobs in critical skills areas. The Veterans Administration (VA) would be responsible for funding the basic $300 benefit for all those training. The estimates of training were derived by using historical data on participation in the current readjustment benefits programs and the Vietnam Era program. The estimates of contributions were based on expected training, given projected benefits, unemployment, and inflation rates.

Contributions by service members of $100 monthly for 12 months, required for participation in the New GI Bill, would begin to accumulate immediately resulting in negative outlays for the first three years. New entrants into the active duty forces may only elect to participate if they begin active duty service before June 30, 1988. Contributions, therefore, would end in 1989, 12 months after the cut-off date. Expenditures for on-the-job training from the readjustment benefits account would not begin until 1989 when service members made eligible for training by this bill would begin to separate from the service.

*Section 202.*—For certain individuals who are eligible for both the Vietnam Era GI Bill and the New GI Bill, but who had a break in service between December 31, 1976 and October 19, 1984, this section would reduce the delimiting period for use of the combined form of benefits by the length of the break in service. Since servicemembers must remain on active duty until June 30, 1988 in order to be eligible for benefits under both programs, no budgetary impact could be expected until the mid-1990's when service members would begin to reach the new delimiting date.

According to the Defense Manpower Data Center, approximately 80,000 servicemembers experienced a break in service between December 31, 1976 and October 19, 1984. Not all of these individuals would be likely to leave the service and begin training in the same year. In addition, of the limited number of individuals affected, the number that would choose to train under current law would likely be small. Most of the individuals affected will have had a minimum of eight years of service and possibly more. The older a veteran is and the longer a veteran is out of the service, the less likely it is that the veteran would choose to train.

*Section 205.*—This section would allow veterans training under the New GI Bill or the Post Vietnam Era Veterans Education Assistance Program (VEAP) to participate in the VA work study program. It is expected that this provision would not effect the level of spending on work-study and, therefore, would result in no additional cost to the federal government.

*Section 206.*—This section would authorize educational assistance for on-the-job training and apprenticeship under the VEAP program.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | 2 | 2 | 2 | 3 | 3 |
| Outlays | 2 | 2 | 2 | 2 | 2 |

Overall training rates could be expected to increase with the availability of an alternate type of training. Estimates of the amount of the increase were based on usage of on-the-job and apprenticeship training under the Vietnam Era GI Bill.

*Section 207.*—If a veteran has been prevented from training under VEAP because of a mental or physical disability, this section would allow an extension of the 10-year delimiting period by the amount of time the disability prevented pursuit of a program of education.

This provision could result in addition cost to the federal government if the extension of the delimiting period for certain individuals results in greater use of their entitlement. The number of individuals that would take advantage of the extension is not expected to be enough to make the cost significant.

*Section 209.*—This section would allow a spouse who is training under Chapter 35, Survivors and Dependent's Educational Assistance, to elect, subject to the Administrator's approval, a date for beginning the 10-year period of eligibility earlier than the date on which the VA makes the eligibility determination, but not earlier than the date of the event creating the spouses eligibility. Under current law a spouse may receive educational assistance benefits for education pursued up to one year period to the eligibility determination.

For this provision to result in significant cost to the federal government, almost 250 spouses a year would have to request eligibility dates such that the spouse was eligible for an additional six months of benefits. It seems unlikely that, out of the approximately 6,600 spouses training in 1985 under Chapter 35, as many as 250 spouses would request benefits dating back to 18 months prior to the eligibility determination. Therefore, it is expected that this provision would not result in significant cost to the government.

*Section 211.*—For veterans who are pursuing a program of education measured in clock hours who, as a part of their training, are taking college level courses, this section would allow the veteran to be reimbursed for the college level courses at the same rate as a college degree program.

Currently, according to the VA, only about 2,500 veterans train at the college level in non-degree courses. The increase in reimbursements for the percentage of these students who might be receiving less than the reimbursement for a standard college level program, is not expected to be significant.

*Section 213.*—This section would prohibit concurrent receipt of benefits from more than one VA-administered educational assistance program for different programs of education.

According to the VA, very few individuals to date have received benefits from VA-adminsitered programs concurrently even though the potential for abuse is great. Since it is impossible to estimate how many persons would take advantage of this provision in the future, it is difficult to estimate the savings to the government from this provision. Based on the experience of the VA to date, the savings from the addition of this provision would be insignificant.

*Section 215.*—Under current law the Veterans Adminsitration does not require term-by-term certification for receipt of education benefits. No savings would result from prohibiting the VA from implementing term-by-term certification.

*Section 216.*—This section establishes a Commission on Veteran's Education Policy consisting of eleven members representing veterans service and education and training organizations.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | (1) | 1 | 1 | 1 | 0 |
| Outlays | (1) | 1 | 1 | 1 | 0 |

[1] Less than $500,000

No appropriations are explicitly authorized in the bill for funding the commission, but the cost of the commission and the study is expecterd to be approximately $1 million per year.

### *Title III*

*Section 301.*—This section would affect housing benefits to certain severely disabled veterans who ae eligible for grants to offset the cost of adaptations to their residences that are needed to accommodate their disabilities. The amendment would provide that the grant funds could also be used to cover the market value of adaptations already installed in a residence the veteran wishes to purchase.

It is not expected that the number of grants made under this provision would be sufficient to result in a significant cost.

*Section 302.*—This section would require the Administrator to prescribe in regulation credit underwriting standards that conform with underwriting principles in general use by commercial lending institutions. These standards would be used by lenders to evaluate loans to veterans that are to be guaranteed by the VA. The standards would also be applied to prospective purchasers of VA real property who are seeking VA financing.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | 0 | 0 | 0 | 0 | 0 |
| Outlays | 0 | −40 | −73 | −78 | −68 |

The credit underwriting standards currently used by the VA are structured differently from those in general use by the private lending community. The VA standards are more lenient than those used by commercial lenders, as evidenced by the higher default rates experienced on VA loans.

Although most lenders of VA-guaranteed loans are authorized to approve loans without VA review, lenders will usually submit for agency approval any loan which the lender would be unlikely to make without the VA guaranty. Approximately 50 percent of all loans guaranteed in fiscal year 1986 were sent to the VA for agency approval. The estimate above assumes that the 10 percent least creditworthy loans would no longer be approved for a VA guaranty under this provision. This percentage was assumed for two reasons. First, some of the 50 percent of loans submitted for VA approval are submitted because the lender is not authorized to approve loans. Second, the VA would still be authorized under this provision to approve loans that do not meet the underwriting standards, if the Administrator determines that the veteran is a satisfactory credit risk when all circumstances are considered.

This estimate was derived using a computer model that interrelates the various obligation and receipt activities of the Loan Guaranty Revolving Fund based on their historical relationships and projects these factors using past trends and expectations of future economic activity.

*Section 303.*—This section would increase from $27,500 to $33,500 the guaranty available under the VA home-loan guaranty program.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget authority | 0 | 0 | 0 | 0 | 0 |
| Outlays | ([1]) | 6 | 9 | 9 | 9 |

[1] Less than $500,000.

The increase in the maximum loan guaranty amount that would be provided by this section would have several effects on program operations. It would increase the number of properties on which the VA would submit a bid at foreclosure actions, because the cost of paying the guaranty in lieu of submitting a bid would be increased. This, in turn, would reduce the number of third-party purchasers of foreclosed VA properties and thus, would postpone recovery of the VA's costs associated with these foreclosures. Also, when third-party purchases do occur, the amount payable by the VA to the lender would be increased.

This estimate was prepared using the computer model described under section 302.

*Section 304.*—This section would require holders of VA-guaranteed loans to initiate foreclosure proceedings on such loans within 15 days of the date on which the veteran-borrower has failed to make four monthly payments in full on the loan.

Currently, the average length of time between the date of default on a VA-guaranteed loan and the date on which foreclosure proceedings are initiated is approximately five and one-half months. During this period, and during the time required for the foreclosure process to be completed, unpaid interest on the veteran-borrower's debt continues to accumulate. This accrued interest is incorporated in the default cost that is paid by the VA to the holder of the foreclosed loan. By reducing the time between the date of default and the start of foreclosure proceedings, the total amount of debt accumulating on such loans should be reduced. However, since some state laws base the timetable for foreclosures on the initial date of default rather than on the date proceeding are begun, it is not known to what degree this provision would reduce the average length of time between default and final foreclosure. Thus, it would be impossible to estimate with any degree of confidence the degree to which the VA's default costs would be reduced by this provision.

*Section 307.*—This section would eliminate the requirement that the VA obtain the concurrence of the Attorney General before employing private attorneys on a free basis to litigate on behalf of the United States foreclosures of loans made or acquired by the VA.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| General operating expenses: | | | | | |
| Estimated authorization level | (1) | 1 | 1 | 1 | 1 |
| Outlays | (1) | 1 | 1 | 1 | 1 |
| Loan Guaranty Revolving Fund: | | | | | |
| Budget authority | 0 | 0 | 0 | 0 | 0 |
| Outlays | −5 | −16 | −28 | −42 | −61 |
| Net budgetary impact: | | | | | |
| Budget authority | (1) | 1 | 1 | 1 | 1 |
| Outlays | −5 | −15 | −27 | −41 | −60 |

[1] Less than $500,000

Section 2512(b)(1) of Public Law 98-369, the Deficit Reduction Act of 1984, authorized the VA to contract with private attorneys to litigate foreclosures of VA loans but only with the concurrence of the Attorney General. The approval of the Attorney General has not been forthcoming. This provision would eliminate the requirement for that approval.

There are at present more than 1,900 cases of default on VA-held loans pending foreclosure action. According to VA information, each month of delay in foreclosing a defaulted loan costs the Loan Guaranty Revolving Fund an average of $527 in property management expenses and lost interest payments on the loan. This estimate assumes that the VA would initially contract with 32 attorneys to process around 1,600 foreclosures per year. Assuming some decline in the use of fee attorneys in later years, it is estimated that the backlog of foreclosures could be eliminated by 1990.

Data from the VA indicate that the attorney's fee for handling a foreclosure would be approximately $500 in 1986. This amount, as well as the average monthly loss on a loan awaiting foreclosure, are inflated in the outyears by the CBO's assumed increases in the GNP deflator. The estimate also assumes that the attorney's fees would be paid from funds appropriated to the General Operating Expenses account.

*Section 308.*—This section would require the Administrator to develop and maintain a list of appraisers who are approved by the agency to make appraisals in connection with VA-guaranteed loans or the liquidation of such loans. The Administrator would also be required to establish standards that must be met by the appraisers desiring to be placed on the approved list. Finally, the Administrator would be required to establish appraisals fee limitations that would ensure that appraisers making appraisals in connection with VA loans receive fees comparable to fees generally paid in their locality.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| General operating expenses: | | | | | |
| Estimated authorization level | 1 | 2 | 1 | 1 | 1 |
| Outlays | 1 | 2 | 1 | 1 | 1 |

This estimate does not include any effect of the requirement that the VA establish standards for and maintain a registry of approved appraisers. The VA currently maintains a list of approved appraisers who must meet certain standards in order to be included. While the VA may significantly upgrade those standards in response to this provision, they could also respond by incorporating the current standards into regulation. Furthermore, it is not clear that the use of commercial appraisal standards would significantly improve the quality of appraisals made in connection with VA loans. Dissatisfaction with the appraisal process is widespread in the lending community, but so far corrective measures have not been found.

Appraisals made in connection with the sale of a property to be financed with a VA-guaranteed loan must be made by a VA-approved appraiser but are not paid for by the VA. Appraisals made in connection with the foreclosure of a loan guaranteed or made by the VA are paid for by the agency. In fiscal year 1985, the VA paid for 61,942 foreclosure appraisals. The average fee paid by the VA for these appraisals was about $120. No data could be found to determine the national average fee for a residential home appraisal. This estimate assumes that the average fee is $150. The increased cost of foreclosure appraisals accounts for the entire cost shown above for this provision. It was assumed that the number of forclosure appraisals requested by the agency would decline in future years at the same rate of decline as is projected for the number of VA foreclosures.

*Section 311.*—This section would require the VA to conduct a pilot project under which the agency would contract with one or more commercial organizations to manage and dispose of a representative 10 percent sample of the VA's inventory of real property.

There is no data available on which to base an estimate of this provision. The current property management costs and sales receipts of commercial firms, if available, would not be an appropriate measure for comparision, because it is highly unlikely that the properties presently managed by such companies are comparable to the properties in the VA inventory.

If the commercial firm could manage and sell the properties with significantly greater efficiency than is presently demonstrated by the VA, the cost savings and receipt increases might be large enough to more than offset the fee that would be required for the firm's services. If, however, the commercial firm could not improve upon the agency's peformance, the profit portion of its fee would represent an added cost to the government.

*Title IV*

*Section 401.*—This section would require that all national cemeteries established after January 1, 1986, maintain a section in which graves are marked with upright grave markers. If the survivors of a veteran to be buried in a national cemetery request an upright marker, it would be provided only if space is available in an existing section designated for upright markers. In all other instances, flat markers would be used.

This provision would not be expected to significantly change VA cemetery operations within the projection period. However, there may be some long-range cost to providing sections for upright markers in future national cemeteries.

*Section 503.*—This section would provide that certain income paid to veterans as participants in therapeutic and rehabilitative work programs would not be counted as income for the purposes of calculating VA pension benefits.

Based on data in a General Accounting Office study, "Impact of Offsetting Earnings from VA's Work Therapy Programs from Veterans Pensions" (GAO/HRD-85-97), it is estimated that the cost of this provision in increased pension benefits would range between $200,000 and $1 million in 1986. These costs, however, would be offset by reductions in pension processing costs, psychiatric counseling costs, and the cost of contracting for the work performed by the patients in work therapy. Thus, it is estimated that the net impact of this provision on the VA budget would be nominal.

*Section 507.*—This section would require the VA to conduct a study of the gender-specific health effects in females of military service in the Republic of Vietnam.

[By fiscal years, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Medical and prosthetic research: | | | | | |
| Estimated authorization level | 8 | 0 | 0 | 0 | 0 |
| Outlays | 1 | 2 | 2 | 2 | 1 |

This estimate is based on information from the Center for Disease Control (CDC), which has already prepared a preliminary protocol for the required study. The CDC estimates that the study would take between three and four years to complete, once the final protocol was approved, at a total estimated cost of $8.3 million.

6. Estimated cost to State and local government: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by enactment of this bill.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: K.E. Shepherd and Marianne Deignan.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

## REGULATORY IMPACT STATEMENT

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee on Veterans' Affairs has made an evaluation of the regulatory impact which would be incurred in carrying out the Committee bill. The results of that evaluation are described below.

The Committee bill has five titles: I—Disability compensation and dependency and indemnity compensation rate increases; II—Educational assistance program improvements; III—Specially adapted housing and home loan guaranty program improvements; IV—National cemetery system; and V—Miscellaneous provisions.

A. Estimates of the numbers of individuals and businesses who would be regulated, and a determination of the groups and classes of such individuals and businesses:

*Title I.*—Title I, which would provide for rate increases in the service-connected disability compensation and dependency and indemnity compensation programs and the sense of the Congress on the tax-exempt status of disability compensation, would not result in the regulation of any individuals or businesses.

*Title II.*—Title II, which would provide for improvements and modifications in programs of educational assistance for veterans and eligible persons, would not result in the regulation of any individuals or businesses.

*Title III.*—Title III, which would improve and modify veterans' specially adapted housing and home loan guaranty programs, would not result in the regulation of any individuals or businesses.

*Title IV.*—Title IV, which would provide for improvements and modifications in the national cemetery system, would not result in the regulation of any individuals or businesses.

*Title V.*—Title V, which would make a series of miscellaneous improvements in a variety of veterans' benefits, would not result in the regulation of any significant number of individuals or businesses.

B. Determination of the economic impact of such regulations on individuals, consumers, and businesses affected: The Committee does not anticipate that there will be any significant economic impact on individuals, consumers, or businesses as a result of the regulations under the provisions of the Committee bill.

C. Determination of the impact on the personal privacy of the individuals affected: The enactment of the Committee bill would not increase the impact on the personal privacy of any individuals, except: (1) those eligible veterans who apply for an extension of the delimiting period of educational assistance benefits under section 207 of the Committee bill, if such veteran was prevented from initiating or completing an educational program because of a physical or mental disability which was not the result of such veteran's willful misconduct; and (2) veterans who are rated incompetent and who shall be required to receive counseling prior to the selection of a program of education or training under section 208 of the Committee bill.

D. Determination of the amount of additional paperwork that will result from regulations to be promulgated under the bill: None of the provisions of the Committee bill would entail regulations that would impose significant new paperwork requirements on individuals or businesses.

## TABULATION OF VOTES CAST IN COMMITTEE

Pursuant to paragraph 7 of rule XXVI of the Standing Rules of the Senate, announcement is made that the members of the Committee on Veterans' Affairs, at an October 3, 1985 meeting to consider the Committee bill, unanimously by voice vote, agreed to report the Committee bill, favorably, as an original bill to the Senate.

## CROSSWALK

The Committee unanimously agreed to submit a "crosswalk" report in compliance with the provisions of Section 302(b) of Title III of the Congressional Budget and Impoundment Control Act of 1974.

## AGENCY REPORTS

The Veterans' Administration submitted a letter dated March 19, 1985, transmitting proposed legislation increasing statutory rates for disability compensation for veterans, and dependency and indemnity compensation for surviving spouses and children, and for other purposes; a letter dated March 29, 1985, proposing to repeal provisions relating to setting interest rates on guaranteed or insured housing loans to veterans, and for other purposes; a letter dated May 2, 1985, proposing legislation to provide for formal advertising for contracts for services or supplies for the loan guaranty program for amounts in excess of $25,000; and a letter dated May

3, 1985, transmitting proposed amendments to modify education benefits for eligible veterans and other persons.

In response to requests by the Committee Chairman that the VA report to the Committee its views on a number of bills that were introduced, the VA reported its views and those of the Office of Management and Budget on S. 769 and S. 965 on May 22, 1985; on S. 1602 on September 12, 1985; on S. 9 on June 7, 1985; and on S. 622 on July 19, 1985.

The VA transmittal letters of March 19, May 2, and May 3 and the May 22, September 12, and June 7 agency reports follow:

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MAR 19 1985

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

I am pleased to submit a draft bill to increase the statutory rates of disability compensation for veterans and rates of dependency and indemnity compensation for surviving spouses and children of veterans, and for other purposes. I respectfully request that it be referred to the appropriate committee and enacted promptly.

Title I would authorize the increased rates of disability compensation and dependency and indemnity compensation. The disability compensation program is designed to provide monetary relief from impairments in earning capacity suffered by veterans disabled during, or as a result of, military service. Rates of compensation vary with the degrees of disability demonstrated, and additional compensation is payable for dependents if the veteran's disability is rated 30 percent or more disabling.

Dependency and indemnity compensation (DIC) benefits are payable under chapter 13 of title 38 to the surviving spouses and children of veterans whose deaths were service connected. Payments at DIC rates may also be made if a veteran's death was not service connected but the veteran was rated as totally disabled for a specified period prior to death. Surviving spouses' DIC rates are based on the veterans' military pay grades. A surviving spouse may receive additional payments for the veteran's children under the age of eighteen, or if the surviving spouse is disabled. Children over the age of eighteen who become helpless before reaching that age may receive DIC, as can those age eighteen to twenty-three attending approved educational institutions. If there is no surviving spouse, a child under the age of eighteen may also receive DIC in the child's own right.

The administration of the disability compensation and DIC programs is one of the VA's most important missions. We recognize a duty to recommend periodic adjustments in monthly rates as economic conditions change.

In recent years, compensation adjustments have been keyed to indexed cost-of-living increases in Social Security and VA pensions. The current projection is for a 4.1 percent increase in Social Security rates when they are adjusted in December 1985. Accordingly, we recommend a corresponding increase of 4.1 percent in the rates of disability compensation and DIC, effective December 1, 1985.

Section 101 of the draft bill would increase rates of disability compensation, including the so-called special monthly compensation rates (except for the "K" rate), by approximately 4.1 percent. As with all rates in our proposal, odd amounts resulting from our computations were rounded down to the nearest dollar.

Sections 102 and 103, respectively, would provide for an approximate 4.1 percent increase in rates of additional compensation for dependents, and in the clothing allowance payable under section 362 of title 38 to certain veterans wearing or using prosthetic or orthopedic appliances.

Sections 104 through 106 would increase DIC rates by approximately 4.1 percent, effective December 1, 1985.

Our five-year estimate of the cost of the enactment of the proposed increases under title I, based on a 4.1 percent rate adjustment, is as follows (in millions of dollars):

| Fiscal Year | Cost |
|---|---|
| 1986 | $342.8 |
| 1987 | $411.8 |
| 1988 | $412.7 |
| 1989 | $412.4 |
| 1990 | $412.4 |

Title II contains four proposals to improve veterans' benefits programs by amending eligibility requirements. Section 201 would change the effective date for a reduction or discontinuance of benefits that are based upon school attendance of a payee or payee's dependent. Under current law, reductions occur as of the last day of the month in which the school attendance is discontinued. Under our proposal, the effective date for reduction or discontinuance would be the day following the last date of attendance, based upon section 3012(a) of title 38.

This change would conform to current rules for discontinuing benefits for, or on behalf of, a child as of its eighteenth birthday. We believe there is no substantial difference between terminating benefits based upon a child's attainment of age eighteen and terminating benefits for an adult student between the ages of eighteen and twenty-three who discontinues his or her attendance.

We estimate enactment of this proposal would result in benefit savings of less than $1 million and administrative costs amounting to less than $100,000 in any fiscal year.

Section 202 would amend section 101(22) of title 38, relating to the definition of "active duty for training," in order to permit the full-time operational duty performed by National Guard and Air National Guard members to be considered "active duty" for title 38 purposes. Under section 101(21)(A) of title 38, active duty means full-time duty in the armed forces other than active duty for training. Under section 101(22)(C), active duty for training, with respect to guard members, means full-time duty authorized under title 32, regardless of whether the duty is performed for operational or training purposes. This amendment would limit "active duty for training" performed by guard personnel to full-time duty performed for training purposes.

In recent years, guard members called to full-time operational duty (usually to serve as instructors or recruiters) have been assigned active guard and reserve (AGR) status if the duty period is 180 days or more, and active duty support (ADS) status if the duty period is 179 days or less. These designations have led to some confusion on the part of guard members as to their eligibility for title 38 benefits. Although a guard member on AGR or ADS status who is disabled in the line of duty would be eligible for VA compensation, "active duty for training" is not qualifying for certain other title 38 benefits, primarily home loan guaranty benefits and health care on a nonservice-connected basis.

Generally, loan guaranty eligibility requires 181 days of continuous active duty, either for service personnel or peacetime veterans. The amendment made by this section would, therefore, assist guard members in AGR and ADS status to qualify for benefits on the same basis as other active-duty service members and peacetime veterans. Our amendment would be effective with respect to duty performed after September 30, 1985; however, guard members in AGR or ADS status as of the date of enactment would be able to include their days of service prior to that date in qualifying for loan guaranty benefits.

We estimate enactment of this proposal would result in benefit costs of less than $1 million in any fiscal year, and VA would incur less than $100,000 in administrative costs.

Recognition of a child as the legally adopted child of a veteran under current law may give rise to additional benefits, including increased compensation or pension payments to the adopting veteran, and dependency and indemnity compensation and educational benefit entitlement for the child. Our proposed section 203 would amend criteria for recognition of foreign adoptions, which are set forth in section 101(4)(B) of title 38. Specifically, the proposal would provide that an adoptee could not be considered the legally adopted child of a veteran for the purposes of benefits eligibility under title 38 unless the adoption occurred prior to the date any entitlement of the veteran to disability compensation or pension arose. The amendment would apply only to an adoption under the laws of a jurisdiction other than a state, territory, possession of the United States, the District of Columbia, Puerto Rico, or the Northern Mariana Islands, and only where the adoptee resides in a foreign jurisdiction.

Our proposal is designed to address a longstanding problem concerning recognition of adoption decrees issued under the laws of foreign jurisdictions. Foreign courts in some cases grant adoptions without observance of standards comparable to those applied in courts of this country. In a number of instances, foreign courts have permitted aged, infirm veterans to adopt young relatives over whom they have no intention of assuming a true parental relationship. The sole motivation for these adoptions appears to be a desire to obtain increased veterans' benefits or to assure benefits entitlement for the adoptee upon the veteran's death.

The high value of United States veterans' benefits in some foreign economies creates a substantial incentive for contrived adoptions. For example, in the Philippines, the additional pension payable to a veteran for an adopted child is reported to be comparable to the salary of a rural schoolteacher. Adoption of a child will in many cases result in a substantial economic gain to a veteran residing abroad. While economic conditions in the Philippines and the large number of veterans residing there make that country a primary source of concern, the VA has received claims based on questionable adoptions granted in other foreign jurisdictions.

In recognition of the threat to the integrity of the veterans' benefit programs posed by contrived adoptions, Congress in 1979 enacted standards for recognition of foreign adoptions. Section 401 of Public Law No. 96-22, 93 Stat. 47 (1979), added a new section 101(4)(B) to U.S. Code title 38 providing that a person residing outside the United States adopted under the laws of a foreign jurisdiction shall not be considered the legally adopted child of a veteran unless stated criteria relating to age at the time of adoption, support from the veteran, residence with the veteran, and absence of custody by a natural parent, are met. In the case of a deceased veteran, the adopted child must have met the requirements for at least one year prior to the veteran's death or the veteran must have received benefits for the child during the year preceding death.

Although the 1979 amendment has been of considerable benefit in combating adoption abuses, experience with the statute has revealed significant difficulties in administration, particularly in applying custody and residence criteria. We know of at least two claims in which the VA has recognized foreign adoptions under the amended statute where the motivation for the adoption must be considered suspect. Both claims involved the adoption of children by aged grandparents in receipt of veterans' pension benefits. In neither case did the adoption appear to serve any purpose other than generation of additional pension entitlement, and in both cases natural parents remained in close proximity to the adopted children and continued personal contact with them.

Even where the adoption criteria can be applied to bar questionable claims, the criteria have proven burdensome to administer. Development of evidence in foreign adoption claims is difficult, and adjudication of these claims is often complex and time-consuming.

The proposed amendment would greatly reduce the potential for abuse and simplify claim development by permitting recognition of a foreign adoption only if the adoption took place before the veteran's benefit entitlement arose. Where this standard is met, existing criteria would serve as a further safegard against contrived claims. In this way, the proposed amendment would further Congress' objective, in enacting Public Law No. 96-22, to preclude entitlement based on adoptions entered for the sole purpose of securing veterans' benefits.

A comparable provision has been in force in Social Security old-age and disability insurance programs for a number of years. Under section 402(d)(8)(D) of U.S. Code title 42, a child adopted after an individual becomes entitled to old-age or disability benefits is not considered as meeting the dependency requirements for child's insurance benefits unless the child is the natural child or stepchild of the individual, or was legally adopted in a United States court and met residence, support and age criteria prior to commencement of the individual's entitlement. Thus, a child other than a natural child or stepchild, adopted in a foreign jurisdiction after the date of the adopting parent's entitlement, cannot be considered a dependent for purposes of child's insurance benefits.

The proposed amendment to the veterans' benefit statutes is expected to result in annual cost savings of less than one million dollars. Savings would be realized both by limiting inappropriate benefit payments and through improved administrative efficiency.

Section 204 would amend section 360 of title 38, which affords special consideration regarding payment of compensation in cases where veterans have suffered certain service-connected disabilities affecting a single eye, ear, or kidney in combination with certain nonservice-connected disabilities affecting the other eye, ear, or kidney. Under present law, if a veteran has suffered service-connected blindness in one eye, service-connected deafness in one ear, or service-connected loss or loss of use of one kidney, in combination with nonservice-connected blindness in the other eye, deafness in the other ear, or severe involvement of the other kidney (resulting in total disability), compensation at the appropriate rate is paid as if the disabilities affecting both organs were service-connected.

Section 360 of title 38 was originally enacted in recognition of the additional disability attendant to nonservice-connected loss or loss of use of a second paired organ where service connection is established for the impairment of the first. It serves to equate, in terms of compensation, these types of cases with those where the disability affecting both organs is adjudicated as service-connected.

Section 204 would extend the principle of "paired organ impairment" to certain disabilities of the lungs so that if a veteran has suffered permanent disability of one lung, rated 50 percent or more disabling under the relevant criteria, which is totally disabling in combination with a nonservice-connected disability of the other lung, compensation would be paid at the total disability rate.

Our estimates indicate this proposal would result in less than $1 million in benefit costs and less than $100,000 in administrative costs in any fiscal year.

Title III contains a single proposal, which would extend the authority of the Administrator of Veterans' Affairs to maintain a regional office in the Republic of the Philippines. Under present law, the Administrator is authorized to operate a regional office in the Philippines until September 30, 1985. Section 301 would extend this authority to September 30, 1988.

It has been our experience that the operation of a regional office in the Republic of the Philippines is the most efficacious means of administering the VA programs which provide disability compensation, pensions and educational benefits to tens of thousands of Filipino beneficiaries. In fiscal year 1983, for example, over $125 million in benefits were paid to these individuals. Our proposal would enable this Agency to continue meeting the needs of the residents of the Philippines in a cost-effective manner.

Enactment of section 301 would entail administrative costs of approximately $1.4 million in any fiscal year.

Advice has been received from the Office of Management and Budget that enactment of this legislative proposal would be in accord with the program of the President.

Sincerely,

Harry N. Walters

HARRY N. WALTERS
Administrator

Enclosure

99th Congress
First Session

H.R.______

. A BILL

To amend title 38, United States Code, to increase the rates of compensation for disabled veterans and the rates of dependency and indemnity compensation for surviving spouses and children of veterans; and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

## SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE

SECTION 1. (a) This Act may be cited as the "Veterans' Disability Compensation and Survivor Benefits Amendments of 1985".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

## TITLE I- DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION RATE INCREASES

### RATES OF DISABILITY COMPENSATION

SEC. 101. (a) Section 314 is amended --

(1) by striking out "$66" in subsection (a) and inserting in lieu thereof "$68";

(2) by striking out "$122" in subsection (b) and inserting in lieu thereof "$127";

(3) by striking out "$185" in subsection (c) and inserting in lieu thereof "$192";

(4) by striking out "$266" in subsection (d) and inserting in lieu thereof "$276";

(5) by striking out "$376" in subsection (e) and inserting in lieu thereof "$391";

(6) by striking out "$474" in subsection (f) and inserting in lieu thereof "$493";

(7) by striking out "$598" in subsection (g) and inserting in lieu thereof "$622";

(8) by striking out "$692" in subsection (h) and inserting in lieu thereof "$720";

(9) by striking out "$779" in subsection (i) and inserting in lieu thereof "$810";

(10) by striking out "$1,295" in subsection (j) and inserting in lieu thereof "$1,348";

(11) by striking out "$1,609" and "$2,255" in subsection (k) and inserting in lieu thereof "$1,674" and "$2,347", respectively;

(12) by striking out "$1,609" in subsection (l) and inserting in lieu thereof "$1,674";

(13) by striking out "$1,774" in subsection (m) and inserting in lieu thereof "$1,846";

(14) by striking out "$2,017" in subsection (n) and inserting in lieu thereof "$2,099";

(15) by striking out "$2,255" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$2,347";

(16) by striking out "$968" and "$1,442" in subsection (r) and inserting in lieu thereof "$1,007" and "$1,501", respectively;

(17) by striking out "$1,449" in subsection (s) and inserting in lieu thereof "$1,508"; and

(18) by striking out "$280" in subsection (t) and inserting in lieu thereof "$291".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

### RATES OF ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended-

(1) by striking out "$79" in clause (A) and inserting in lieu thereof "$82";

(2) by striking out "$132" and "$42" in clause (B) and inserting in lieu thereof "$137" and "$43", respectively;

(3) by striking out "$54" and "$42" in clause (C) and inserting in lieu thereof "$56" and "$43", respectively;

(4) by striking out "$64" in clause (D) and inserting in lieu thereof "$66";

(5) by striking out "$143" in clause (E) and inserting in lieu thereof "$148"; and

(6) by striking out "$120" in clause (F) and inserting in lieu thereof "$124".

### CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$349" and inserting in lieu thereof "$363".

### RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 104. (a) Subsection (a) of section 411 is amended to read as follows:

"(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

| "Pay grade | Monthly rate | Pay grade | Monthly rate |
|---|---|---|---|
| E-1 | $495 | W-4 | $709 |
| E-2 | $510 | O-1 | $626 |
| E-3 | $522 | O-2 | $646 |
| E-4 | $556 | O-3 | $692 |
| E-5 | $571 | O-4 | $731 |
| E-6 | $584 | O-5 | $806 |
| E-7 | $613 | O-6 | $908 |
| E-8 | $646 | O-7 | $982 |
| E-9 | $675 1/ | O-8 | $1,077 |
| W-1 | $626 | O-9 | $1,156 |
| W-2 | $651 | O-10 | $1,266 2/ |
| W-3 | $670 | | |

4.

"1/ If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $728.

"2/ If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,358.".

(b) Subsection (b) of such section is amended by striking out "$55" and inserting in lieu thereof "$57".

(c) Subsection (c) of such section is amended by striking out "$143" and inserting in lieu thereof "$148".

(d) Subsection (d) of such section is amended by striking out "$70" and inserting in lieu thereof "$72".

## RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413 is amended-

(1) by striking out "$240" in clause (1) and inserting in lieu thereof "$249";

(2) by striking out "$345" in clause (2) and inserting in lieu thereof "$359";

(3) by striking out "$446" in clause (3) and inserting in lieu thereof "$464"; and

(4) by striking out "$446" and "$90" in clause (4) and inserting in lieu thereof "$464" and "$93", respectively.

## RATES OF SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 106. Section 414 is amended-

(1) by striking out "$143" in subsection (a) and inserting in lieu thereof "$148";

(2) by striking out "$240" in subsection (b) and inserting in lieu thereof "$249"; and

(3) by striking out "$122" in subsection (c) and inserting in lieu thereof "$127".

### EFFECTIVE DATE

SEC. 107. Sections 101 through 106 shall take effect on December 1, 1985.

## TITLE II- OTHER VETERANS' PROGRAM IMPROVEMENTS

### DISCONTINUANCE OF BENEFITS BASED ON SCHOOL ATTENDANCE AS OF THE LAST DATE OF ATTENDANCE

SEC. 201. Section 3012(b) is amended-

(1) by striking out clause (7); and

(2) by redesignating clauses (8), (9), and (10) as clauses (7), (8), and (9), respectively.

### ACTIVE DUTY STATUS BASED ON AGR OR ADS SERVICE BY RESERVISTS AND NATIONAL GUARD PERSONNEL

SEC. 202. (a) Paragraph (22) of section 101 is amended in clause (C) by inserting "performed for training purposes under title 10 or" after "full-time duty".

(b)(1) The amendment made by subsection (a) shall be effective with respect to duty performed after September 30, 1985.

(2) Any member or former member of the National Guard or Air National Guard in active guard and reserve or active duty support status as of the date of enactment of this Act shall be eligible for benefits under chapter 37 of title 38, United States Code, if the member (or former member) continuously served in such status for 181 days or more prior to application therefor and is otherwise eligible.

### LIMITATION OF CIRCUMSTANCES UNDER WHICH ADOPTED CHILDREN MAY BE CONSIDERED DEPENDENTS

SEC. 203. Section 101(4)(B)(i) is amended-

(1) by striking out "and" at the end of clause (III); and

(2) by adding the following new clause (V): "(V) was adopted by the veteran prior to the date any entitlement of the veteran to benefits under chapters 11 or 15 of this title arose; and".

### EXTENSION OF "PAIRED ORGAN" CRITERIA TO DISABILITIES INVOLVING THE LUNGS

SEC. 204. Section 360 is amended-

(1) By inserting after clause (3) "or" followed by a new clause (4) to read as follows: "(4) has suffered permanent service-connected disability of one lung, rated 50 percent or more disabling, which is totally disabling in combination with nonservice-connected disability of the other lung that is not the result of the veteran's own willful misconduct,"; and

(2) by inserting "or such bilateral lung disabilities" after "such total deafness in both ears".

## TITLE III- EXTENSION OF AUTHORITY TO OPERATE A REGIONAL OFFICE IN THE REPUBLIC OF THE PHILIPPINES

SEC. 301. Section 230(b) is amended by striking out "1985" and inserting in lieu thereof "1988".

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

Vets Aff

MAR 2 9 1985

Honorable George Bush
President of the Senate
Washington, D. C. 20510

RECEIVED APR 0 3 1985

Dear Mr. President:

Enclosed is a draft bill "To amend title 38, United States Code, to repeal provisions relating to setting the interest rate on guaranteed or insured housing loans to veterans and inspecting manufactured homes purchased by veterans, to increase the VA loan fee, to authorize direct appropriations to the loan guaranty revolving fund, and for other purposes." I request that this measure be referred to the appropriate committee and promptly enacted.

This omnibus measure, entitled the "Veterans' Housing Amendments Act of 1985" would make a number of amendments to the Veterans Administration Housing Loan Guaranty Program to reduce administrative regulation and enhance revenues.

Section 2 of the draft bill would repeal the authority of the Administrator to set the maximum interest rate which veterans may pay on VA guaranteed home loans currently contained in 38 U.S.C. § 1803(c), and manufactured home loans contained in 38 U.S.C. § 1819(f). In lieu of the current provisions in the law, the draft bill would provide that such loans would bear interest at the rate agreed upon by the veteran and the lender. Section 2 of the draft bill also makes additional perfecting amendments.

Prior to 1966, the law contained a statutory interest ceiling on VA guaranteed housing loans. Public Law 89-358, enacted March 3, 1966, removed an exact percentage limitation on the VA interest rate, and provided instead that interest on such loans may not exceed the rate in effect for loans insured by the Secretary of Housing and Urban Development under section 203(b)(5) of the National Housing Act. In 1973, the Congress enacted Public Law 93-75 which removed the requirement that the interest on VA home loans not exceed the HUD interest rate. The 1973 amendment, which remains in effect, requires that in setting the VA interest rate "the Administrator shall consult with the Secretary of Housing and Urban Development . . . and, to the maximum extent practicable, carry out a coordinated policy on interest rates on loans insured under . . . section 203(b) [of the National Housing Act] and on loans guaranteed or insured under . . . chapter [37 of title 38, United States Code]."

The Housing and Urban-Rural Recovery Act of 1983, Pub. L. No. 98-181, § 404, enacted November 30, 1983, repealed the authority of the Secretary of Housing and Urban Development to set interest rates on loans insured by the Secretary. Such loans may now bear interest at any rate agreed upon by the borrower and lender.

Although VA makes every effort to reflect the loan market in setting interest rates on guaranteed home loans, it is not always possible for such rates to keep exact pace with money market demands. When the cost of money is not adequately reflected by the VA interest rate, lenders are required to charge points to bring their yield into line with secondary market demand. One "point" equals 1 percent of the loan amount. The points must be paid in cash at loan closing. VA has interpreted the law as not permitting veterans to pay points, except under certain limited circumstances spelled out in 38 U.S.C. § 1803(c)(3); e.g., refinancing and home improvement loans. This is because if the veteran paid this amount he or she would, in effect, be paying an interest rate above the permitted maximum. Thus, the seller is required to absorb these costs.

Sellers who are reluctant to pay points often either refuse to sell with VA financing, or increase the selling price of their home to reflect the anticipated points. In neither instance is the veteran being benefited.

Under the draft bill, the veteran buyer, the seller, and the lender can negotiate on whether the rate, and thus the monthly payment, will be lowered in exchange for a certain number of points, and, if it is, who will pay some or all of such points. Thus the transaction can be tailored to fit the needs and circumstances of the parties involved.

This change would be consistent with the Administration's goal of reducing Federal regulation and permitting market forces to operate.

Section 2 of the draft bill would not authorize adjustable rate mortgages. The bill requires that the loan bear the same interest rate for the life of the loan. Nothing in the draft bill would preclude lenders from waiving collection of a portion of the interest. This would permit "buy downs" where a builder or developer arranges for a lower interest rate for the first few years of the loan. VA currently permits buy downs.

VA estimates that enactment of section 2 of the draft bill would result in administrative cost savings of less than $100,000 in any fiscal year.

Section 3 of the draft bill would amend section 1829 of title 38, United States Code, relating to the VA loan fee.

Presently, section 1829 imposes a fee of 1 percent of the loan amount upon veterans who obtain housing loans guaranteed, insured, or made by the Administrator under chapter 37 of title 38, United States Code, and upon persons who receive vendee loans from the Administrator in connection with the purchase of real property from the Administrator. Disabled veterans receiving compensation, or who would be entitled to compensation but for the receipt of retirement pay, and surviving spouses of veterans who died from a service-connected disability, are exempt from paying this fee.

The fee is collected at the time of loan closing, and may be included in the loan amount. Proceeds from the fee are deposited into the Loan Guaranty Revolving Fund (LGRF).

Pub. L. No. 89-358, which originally granted VA home loan benefits to post-Korean conflict veterans, required collection of such a fee. That provision was repealed by Pub. L. No. 91-506 in 1970. The Omnibus Budget Reconciliation Act of 1982, Pub. L. No. 97-253, § 406, reimposed a fee of one-half of 1 percent for loans to veterans closed after September 30, 1982. Authority to collect this fee was to expire September 30, 1985. The Deficit Reduction Act of 1984, Pub. L. No. 98-369, § 2511, increased the fee to 1 percent, required collection of the fee on vendee loans, and extended the sunset of the fee until September 30, 1987.

Under the draft bill, on loans to veterans closed after September 30, 1985, the fee would be increased to 5 percent of the loan amount. After such date, vendee loan purchasers would have the option of paying the same 5 percent fee, or paying a 1 percent fee if, in addition, the purchaser makes a cash down payment of at least 5 percent of the purchase price of the property and obtains private mortgage insurance.

The draft bill would also eliminate the sunset for the loan fee.

In recent years the LGRF, which provides moneys for all loan guaranty operations except administrative expenses, has been substantially depleted. In 1984, $230 million was transferred from the Direct Loan Revolving Fund to the LGRF. A supplemental appropriation of $100 million was also needed in Fiscal Year 1984 (Pub. L. No. 98-396) in order to enable the program to meet its obligations in that year. An additional $160 million in budget authority was transferred to the LGRF from the readjustment benefits account in 1984. In 1985, additional funding was provided by Pub. L. No. 98-473, which appropriated $306.6 million for the LGRF. Current budget projections show that the LGRF should now be able to meet program needs for the remainder of the current fiscal year, but would need an appropriation of $404.6 million in Fiscal Year 1986 and additional amounts in every year through 1990, unless new sources of revenue are found.

The VA home loan program has been and continues to be of great importance to present and former members of the Nation's Armed Forces who seek to become homeowners. We are, nevertheless, mindful that the costs to the taxpayers of operating the program and paying claims on loans resulting in foreclosure are significant. Since the Loan Guaranty program provides a unique benefit for a select group of beneficiaries, we believe it is reasonable that this group bear a portion of the cost of providing the benefit through a modest, one-time fee.

In view of the increasing costs to the taxpayers of this program in recent years and the depletion of the LGRF, we believe increasing the fee at this time is necessary.

Section 3(c) of the draft bill increases the guaranty amount from the present $27,500 to $28,600 only with respect to loans where the veteran is paying the fee in full with the proceeds of the loan. Although the law does not limit the amount a veteran may borrow, experience shows that the secondary market normally demands 25 percent protection on Government-backed home loans. Thus, the current $27,500 guaranty would support a loan of $110,000. Since the draft bill is increasing the loan fee by 4 percentage points, we are proposing to increase the guaranty in order to permit a 4 percent increase in the effective maximum loan; i.e., to $114,400.

Fairness requires that purchasers of VA acquired properties who obtain financing from VA be required to bear costs which are comparable to those imposed upon veterans using their earned benefits. If, however, vendee purchasers are willing and able to make at least a 5 percent down payment, and also obtain at their own expense private mortgage insurance for the benefit of VA, the risks to VA on making the vendee loans have been significantly reduced. In view of such reduced risk, and the fact that the borrowers will be paying for private mortgage insurance, we consider it equitable to permit these borrowers to pay the current 1 percent fee rather than the increased fee.

VA estimates that, under present law, revenues generated by the loan fee would be $152.6 million in Fiscal Year 1986 and $152.4 million in Fiscal Year 1987. Enactment of section 3 of the draft bill would result in increased revenues to the Loan Guaranty Revolving Fund of over $3.5 billion as follows:

| FY | COLLECTIONS (in $ millions) |
|---|---|
| 1986 | 757.2 |
| 1987 | 758.4 |
| 1988 | 749.3 |
| 1989 | 765.7 |
| 1990 | 783.1 |
| Total Collections | 3,813.7 |
| Less: Collections Under Current Law | (305.0) |
| Increased Revenues | 3,508.7 |

Section 4 of the draft bill would authorize direct appropriations to the Loan Guaranty Revolving Fund.

As explained above, the LGRF is available to the Administrator for all loan guaranty and insurance operations under chapter 37 of title 38, United States Code, except administrative expenses. Until recently, direct appropriations to the LGRF have not been necessary. Although enactment of the loan fee increase proposed in section 3 of the draft bill should greatly reduce the need for further appropriations, such action may nonetheless be necessary in the future.

Section 1824(c) of title 38, United States Code, provides three sources of money for the LGRF; i.e., transfer of appropriations from readjustment benefits, proceeds from the loan fee (38 U.S.C. § 1829), and collections from the operation of the program. Such collections include cash sales of real property, the proceeds from vendee loan sales, and principal and interest payments on unsold vendee loans. A fourth source provided in appropriation acts in the past has been transfers from the Direct Loan Revolving Fund.

However, this authority is not being requested in appropriation language for 1986. If these sources are not able to provide sufficient funds for the needs of the LGRF, an appropriation would be necessary for the Government to be able to honor its commitments to loan holders under the guaranty.

The two-step appropriation procedure currently in the law; i.e., appropriation to the readjustment benefits account, then transfer of the funds into the LGRF, is unnecessarily complicated and tends to obscure the real financial requirements of operating the LGRF. Since appropriations may be needed in the future, we believe section 1824 should be amended to authorize direct appropriations into the LGRF.

To permit flexibility in managing the needs of the LGRF, the bill would retain in the law the authority to transfer readjustment benefits appropriations to the LGRF. VA would only use this transfer authority to alleviate temporary shortfalls in the fund, enabling the Administrator to continue to pay guaranty obligations. Since the transfer authority is intended only as a backup, with proceeds of the loan fee, revenues from operations, and direct appropriations being the primary sources of funding for the LGRF, the draft bill is limiting such transfers to $75 million in any fiscal year. Any amounts transferred would have to be repaid to the appropriation account for readjustment benefits not later than the time the LGRF received its appropriations for the succeeding fiscal year.

Enacting section 4 of the draft bill would not involve any costs.

Section 5 of the draft bill would repeal the requirement that VA inspect the manufacturing process of manufactured homes and conduct on-site inspections of such units purchased with VA financing. The bill would further provide that any manufactured home unit that properly displays a certificate of conformity with all applicable Federal manufactured home construction and safety standards would be eligible for purchase with VA guaranteed loans.

Currently, 38 U.S.C. § 1819(h)(2)(A) requires the VA to make inspections of the manufacturing process of manufactured homes and to perform random on-site inspections of manufactured homes purchased with a VA guaranteed loan. The purpose of the inspections of manufacturing plants is to insure that manufacturers comply with the standards for planning, construction, and general acceptability of manufactured homes required to be prescribed by the Administrator under 38 U.S.C. § 1819(h)(1). The on-site inspections were mainly required to judge the effectiveness of the manufactured home loan program.

In 1970 when the Congress enacted the VA manufactured home loan program, there were no comprehensive regulations insuring the safety and fitness of manufactured housing. Four years later, however, the Congress enacted the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. §§ 5401-5426. That statute requires the Secretary of Housing and Urban Development, in consultation with the Consumer Product Safety Commission, to establish Federal manufactured home construction and safety standards. Generally, all new manufactured homes sold in interstate or foreign commerce must comply with these Federal standards. Units are required to have permanently affixed to them a tag or label certifying their compliance with such standards. The Secretary of HUD is authorized to conduct necessary inspections to enforce the Federal standards.

VA believes that the comprehensive scheme established under the National Manufactured Housing Construction and Safety Standards Act of 1974 is sufficient to insure that new manufactured homes purchased by veterans with VA guaranteed loans will be properly built and suitable for occupancy and use.

Section 1819(h)(2)(B) of title 38, enacted as part of Pub. L. No. 95-476 in 1978, permits VA to delegate to HUD the responsibility for conducting manufacturing plant inspections. VA has entered into an agreement with HUD under this provision of the law, and has, in fact, made such a delegation. VA believes it is unnecessary to retain the provision in the law for VA to conduct inspections and the provision should be eliminated.

VA further believes on-site inspections are likewise unnecessary. Such inspections might have been useful when the law was first enacted to aid in evaluation of this program. Almost 15 years of experience with the manufactured home loan program has demonstrated the viability of the program. As these inspections are no longer necessary, they should be eliminated. VA notes that similar on-site inspections are not made for conventionally built housing.

The draft bill also makes perfecting amendments consistent with the elimination of such inspections.

In addition, the draft bill proposes one technical amendment to the manufactured home loan program. Section 1819(j) permits VA to suspend from participation in the VA program a manufacturer of manufactured homes who refuses to permit inspections, is unwilling or unable to comply with its warranty obligations, or if the units fail to conform to VA standards. This section does not specifically contain the additional "catch all" grounds for suspension of engaging in practices prejudicial to veterans or to the Government. Provisions of the law applicable to suspending other loan guaranty program participants authorize suspension for such prejudicial practices. See 38 U.S.C. §§ 1804(b) and (d) and 1819(k). This omission was recently informally brought to our attention by the Office of Inspector General in connection with one of their investigations. In addition to removing reference to VA inspections, the draft bill adds engaging in actions unfair or prejudicial to veterans or the Government as a basis for suspension. We believe this technical correction is desirable to make clear that VA may suspend manufacturers who engage in such practices.

Administrative savings resulting from enactment of section 5 of the draft bill would amount to less than $100,000 in any fiscal year.

Under section 6 of the draft bill, all amendments will take effect upon enactment, except for the increase in the loan fee which will apply to loans closed after September 30, 1985.

The Office of Management and Budget advises that it has no objection to the submission of the draft legislation and that its enactment would be in accord with the program of the President.

Sincerely,

Harry N. Walters

HARRY N. WALTERS
Administrator

Enclosure

## A BILL

To amend title 38, United States Code, to repeal provisions relating to setting the interest rate on guaranteed or insured housing loans to veterans and inspecting manufactured homes purchased by veterans, to increase the VA loan fee, to authorize direct appropriations to the loan guaranty revolving fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Housing Amendments Act of 1985".

### NEGOTIATED INTEREST RATES

SEC. 2. Chapter 37 of title 38, United States Code, is amended by--

(a) Striking out section 1803(c) in its entirety and inserting in lieu thereof:

"(c) Loans guaranteed or insured under this chapter shall be payable on such terms and conditions as may be agreed upon by the parties thereto, subject to the provisions of this chapter and regulations of the Administrator issued pursuant to this chapter. These loans shall bear interest at such rate as may be agreed upon by the veteran and the lender, provided, however, that such loans shall bear the same interest rate for the life of the loan.";

(b) Striking out in section 1810(e)(1)(C) "permitted pursuant to section 1803(c)(3)(A) of this title";

(c) Striking out in section 1811(c)(1) "area, at an interest rate not in excess of the rate authorized for guaranteed home loans or manufactured home loans, as appropriate," and inserting in lieu thereof "area";

(d) Striking out in section 1811(d)(1) "not to exceed the rate authorized for guaranteed home loans or manufactured home loans, as appropriate,";

(e) Striking out in section 1819(a)(4)(A)(iii) "permitted pursuant to section 1803(c)(3)(A) of this title";

(f) Inserting "and" immediately after the semicolon at the end of section 1819(e)(5);

(g) Striking out in section 1819(e)(6) "regulation; and" and inserting in lieu thereof "regulation.";

(h) Striking out section 1819(e)(7) in its entirety; and

(i) Striking out section 1819(f) in its entirety, and inserting in lieu thereof:

"(f) Loans guaranteed under this section shall bear interest at such rate as may be agreed upon by the veteran and the lender, provided, however, that such loans shall bear the same interest rate for the life of the loan.".

## AMENDMENTS TO VA LOAN FEE

SEC. 3. (a) Section 1829(a) of title 38, United States Code, is amended by--

(1) striking out "subsection (b)" and inserting in lieu thereof "subsections (b) and (c)"; and

(2) striking out "one percent" and inserting in lieu thereof "five percent".

(b) Section 1829 of title 38, United States Code, is amended by striking out subsection (c) in its entirety and inserting in lieu thereof:

"(c) A person obtaining a loan from the Administrator to finance the purchase of real property from the Administrator may, in lieu of paying the fee required by subsection (a) of this section, pay a fee equal to one percent of the total loan amount, provided such purchaser

"(1) Makes a cash down payment on the purchase of the property equal to at least five percent of the purchase price of the property, excluding closing costs; and

"(2) Obtains at the purchaser's expense a mortgage insurance policy that meets standards established by the Administrator.".

(c) Section 1810(c) of title 38, United States Code, is amended by--

(1) striking out "The" and inserting in lieu thereof "(1) Except as provided in paragraph (2) of this subsection, the"; and

(2) adding at the end thereof the following new paragraph:

"(2) If a veteran pays the full amount of the fee required by section 1829 of this title from the proceeds of the loan, then the amount of guaranty entitlement available to that veteran under this section shall be $28,600 less such entitlement as may have been used previously under this chapter. A veteran may not use any entitlement under this paragraph unless the veteran has entitlement under paragraph (1) of this subsection available for use.".

(d) Section 1811(d)(2)(A) is amended by striking out "1810" and inserting in lieu thereof "1810(c)(1)".

## AUTHORIZE DIRECT APPROPRIATION

SEC. 4. Section 1824 of title 38, United States Code, is amended by--

(a) striking out in clause (1) of subsection (c) "such amounts as may be necessary" and inserting in lieu thereof "not to exceed $75,000,000 per fiscal year,";

(b) striking out in subsection (c) "and (3)" and inserting in lieu thereof "(3) amounts specified in appropriation acts, and (4)";

(c) adding at the end of subsection (c) "Any amounts transferred pursuant to clause (1) of this subsection shall be repaid to the appropriation account for readjustment benefits from amounts available, including appropriations to the Fund, no later than the time the Fund's appropriation is available for the succeeding fiscal year."; and

(d) adding at the end thereof the following new subsection:

"(e) There are authorized to be appropriated from time to time such amounts as may be necessary to provide capital for the Fund.".

### REPEAL MANUFACTURED HOME INSPECTION REQUIREMENT

SEC. 5. (a) Section 1819(h) of title 38, United States Code, is amended by striking out paragraph (2) in its entirety, and inserting in lieu thereof:

"(2) Any manufactured housing unit properly displaying a certification of conformity to all applicable Federal manufactured home construction and safety standards pursuant to section 616 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5415) shall be deemed to meet the standards required by paragraph (1) of this subsection.".

(b) Section 1819(j) of title 38, United States Code, is amended by--

(1) striking out "refuses to permit the inspections provided for in subsection (h) of this section; or in the case of manufactured homes which are determined by the Administrator not to conform to the aforesaid standards; or where the manufacturer of manufactured homes"; and

(2) striking out "warranty." and inserting in lieu thereof "warranty; or in the case of manufactured homes

which are determined by the Administrator not to conform to the standards provided for in subsection (h) of this section; or in the case of a manufacturer who has engaged in procedures or practices determined by the Administrator to be unfair or prejudicial to veterans or to the Government.".

(c) Section 1819(l) of title 38, United States Code, is amended by striking out "the results of inspections required by subsection (h) of this section,".

## EFFECTIVE DATE

SEC. 6. (a) The amendments made by sections 2, 4, and 5 of this Act shall take effect on the date of enactment of this Act.

(b) The amendments made by section 3 of this Act shall apply with respect to loans closed after September 30, 1985.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MAY 0 2 1985

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

There is transmitted herewith a draft bill, "To amend title 38, United States Code, to require formal advertising for contracts for services or supplies for the Veterans Administration's loan guaranty program if the contract amount exceeds $25,000." It is requested that the bill be referred to the appropriate committee and that it be favorably considered for enactment.

The draft measure would amend section 1820(b) of title 38, United States Code, to require that contracts for services or supplies for the VA's loan guaranty program in excess of $25,000 be formally advertised before award. At the present time, 38 U.S.C. § 1820(b) requires that any contract for services or supplies for the VA's loan guaranty property management and sales program may be awarded only after formally advertising contracts in excess of $1,000.

We believe section 1820(b) should be amended to conform with 41 U.S.C. § 5, which requires that Government contracts be awarded only after formal advertising if the amount of the contract exceeds $25,000. In 1945, when the $1,000 threshold was established for loan guaranty contracts, 41 U.S.C. § 5 required that contracts in excess of $100 had to be formally advertised. Since that time, however, 41 U.S.C. § 5 has been periodically amended to reflect the increased cost of items purchased by the Government and the reliance on simplified purchase procedures for contracts falling below the threshold. We believe amending section 1820(b) would be consistent with the recent revision to 41 U.S.C. § 5.

No additional costs would result from enactment of this proposal.

Honorable George Bush

We are advised by the Office of Management and Budget that the enactment of this draft bill would be in accord with the program of the President.

Sincerely,

Deputy Administrator • [illegible]

HARRY N. WALTERS
Administrator

Enclosure

# A BILL

To amend title 38, United States Code, to require formal advertising for contracts for services or supplies for the Veterans Administration's loan guaranty program if the contract amount exceeds $25,000.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 1820(b) of title 38, United States Code, is amended by--

(1) striking out "$1,000" after "the amount of such contract exceeds;" and

(2) inserting "$25,000," instead.

SEC. 2. This Act shall become effective on the date of enactment.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MAY 03 1985

Honorable George Bush
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

Enclosed is a draft bill entitled the "Veterans' Educational Assistance Improvements Act of 1985." I request that this measure be introduced and receive favorable consideration by the Congress.

This measure is designed to amend or repeal various provisions of title 38, United States Code, which relate to providing educational benefits to eligible veterans and other eligible persons.

Title I of the draft measure contains a number of changes in our education programs; title II repeals the Veterans Administration's authority to make education loans to veterans and other eligible persons; and title III contains a savings provision relating to the repeal of the education loan program. A section-by-section analysis of the draft bill, setting forth the basis for each recommended change, is also enclosed.

Enactment of the title I changes would result in insignificant administrative costs (under $100,000) in Fiscal Year 1986, and under $1 million over the first 5 fiscal years, with one change resulting in insignificant administrative savings (less than $100,000) in any fiscal year. Enactment of title II would result in benefits savings of under $1 million in any fiscal year and relatively insignificant administrative savings (under $100,000) in any fiscal year.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this legislative proposal to the Congress from the standpoint of the Administration's program.

Sincerely,

HARRY N. WALTERS
Administrator

Enclosures

## SECTION-BY-SECTION ANALYSIS

### SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE

### Section 1

Subsection (a) provides that the draft proposal may be cited as the "Veterans' Educational Assistance Improvements Act of 1985."

Subsection (b) provides that, unless otherwise specified, whenever in the proposal an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

### TITLE I--EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

### Section 101

This section would amend section 1631 of title 38 to provide that the monthly benefits payable and the entitlement charged to chapter 32 trainees for pursuit of a farm cooperative, apprenticeship or other on-job training program would be computed in the same manner as is set forth under current law for chapter 32 trainees pursuing other forms of training. This provision is necessitated by, and is consistent with, the proposed new authorization for certain eligible chapter 32 individuals to pursue such training programs, contained in section 103 of the draft measure.

## Section 102

This section would amend section 1632 of title 38 by dividing the section into subsections (a) and (b). The basic purpose of this change is to add new language to the new subsection (a) to permit a veteran who has been prevented from initiating or completing a chosen program of education under chapter 32 because of a physical or mental disability not resulting from the individual's own misconduct, to qualify for an extension of the basic 10-year delimiting period. The extension would equal the period of time the veteran was prevented from initiating or completing the program of education within the veteran's delimiting period.

Under present law, this extension privilege is available only to those veterans and eligible dependents training under chapters 30, 34, and 35. In order to establish parity regarding extensions, chapter 32 participants should be afforded this same privilege.

## Section 103

This section would amend section 1641 of title 38 to provide statutory authority for those chapter 32 participants who have been discharged or released from active duty to pursue farm cooperative, apprentice, or other on-job training.

3.

Section 1641 currently provides that certain provisions of chapters 34 and 36 of title 38 (the GI Bill) shall be applicable to the chapter 32 contributory education program. However, there are presently no references in section 1641 to those sections of law which authorize pursuit of farm cooperative, apprentice, or other on-job training by veterans eligible under the chapter 32 contributory program.

At the time the contributory program was originally enacted, consideration was primarily focused on affording benefits for those individuals who were in the service. Since individuals in the military are required to devote full time to their military occupations, they would not be in a position to take advantage of farm cooperative, apprentice, or other on-job training which requires full-time pursuit. It is appropriate, however, to permit service personnel participating in the chapter 32 program to pursue these training opportunities following their discharge or release from active duty.

This proposal would amend section 1641 by dividing the section into subsections (a) and (b). Subsection (a) would set forth provisions of chapters 34 and 36 applicable to those individuals pursuing programs of education or training while on active duty.

New subsection (b) would set forth provisions of chapters 34 and 36 applicable to those individuals who have been discharged or released. These would include sections of those chapters which authorize pursuit of farm cooperative, apprentice, or other on-job training. This would accomplish the goal of allowing these veterans to pursue these additional forms of beneficial training.

### Section 104

This section would revise section 1652(a)(1)(B) of title 38 to extend eligibility for GI Bill education benefits under chapter 34 of such title to individuals who served as cadets or midshipmen at one of the service academies, and who graduated in 1977.

In enacting Public Law 94-502, on October 15, 1976, the Congress restricted eligibility for educational assistance benefits under the GI Bill to those individuals entering active military service prior to January 1, 1977. However, an exception was made for those individuals who contracted with the Armed Forces and were enlisted in or assigned to a reserve component prior to January 1, 1977, provided that they entered on active duty on or before January 1, 1978, served for a period of more than 180 days (unless discharged for a service-connected disability), and were discharged or released from active duty under conditions other than dishonorable.

Included within the exception were individuals who entered on active duty prior to January 2, 1978, following their placement in the "Delayed Entry Program" or service in the Reserve

5.

Officers Training Corps (ROTC). Not covered, however, were individuals who served as cadets or midshipmen at one of the service academies and who, following graduation in 1977, entered active duty prior to January 2, 1978. Although these latter individuals had contracted with the Armed Forces prior to 1977, they did not meet the statutory requirement of enlistment in or assignment to a reserve component.

We believe that an inequity was created between these academy graduates who are barred from chapter 34 eligibility and those members of ROTC who received a full scholarship and yet qualify for GI Bill education benefits. The statutory requirement which distinguishes these two categories of persons is merely technical, not qualitative.

This proposed change would correct the inequity by permitting those service academy graduates who graduated in 1977, and entered active duty prior to January 2, 1978, to qualify for eligibility under the chapter 34 education program.

The number of all 1977 service academy graduates totals 2,765. Since they have college degrees, and since the majority will probably remain on active duty beyond December 31, 1989 (the chapter 34 program termination date), it is anticipated that only a small number of these graduates would actually use benefits provided under that program. We estimate that no more than 25 percent of these graduates, or about 700, would ever use their GI Bill entitlement, with only 100 or 200 in training at the same time.

## Section 105

This section would amend section 1663 of title 38 to insert a requirement that veterans who have been rated incompetent by the Veterans Administration undergo mandatory educational and vocational counseling prior to selection of a program of education or training under chapter 34.

Currently, veterans rated incompetent by the Veterans Administration who wish to enter a program of education or training under chapter 34 are under no restriction concerning their choice of program. Mandatory counseling, prior to selection of a program, would have the effect of assisting these veterans in making a selection which is realistic. Through counseling, incompetent veterans would be much better equipped to choose a program of education or training that is suitable for them based upon their particular limitations.

Competency becomes an issue when there is a diagnosis of a psychosis, an adjudication of incompetency by a court, or other evidence which raises a question as to the beneficiary's mental capacity to contract or to manage his or her own affairs, including disbursements of funds without limitation. Determinations of incompetency, for purposes of laws administered by the Veterans Administration, are made by Agency rating boards consisting of three members, at least one of whom is a medical doctor.

Under this amendment, Veterans Administration vocational-educational counseling for veterans rated incompetent would be required, and furnished by a VA counseling psychologist. The counseling psychologist would assist these veterans in selecting suitable education and training programs.

## Section 106

This section would amend section 1685 of title 38 by eliminating a provision in subsection (a) which requires the advance payment of a portion of the work-study allowance payable to an individual participating in the veteran-student services program authorized under that section.

Under current law, in return for a veteran's promise to perform a specified number of hours of work under a work-study agreement, an amount equal to 40 percent of the total payable under the agreement is paid to the veteran-student prior to the performance of any services. Remaining amounts become payable on an incremental basis once the individual has completed performance of the number of hours of work which formed the basis for the advance payment.

Overpayments in the work-study program totaled $1,296,974 during Fiscal Year 1984 alone, creating liability for some 6,252 new debtors. In many of these cases, the debtor dropped out of school, so that administrative collection by offset is not feasible. Moreover, since the average work-study overpayment is relatively small, recovery through enforced collection generally is not cost-effective.

Enactment of this proposal would virtually eliminate accounts receivable in this program and would result in limited administrative cost savings for the Agency, i.e., less than $100,000 in any fiscal year.

## Section 107

This section would amend section 1712(b) of title 38 to add a new paragraph (3) authorizing an eligible spouse or surviving spouse training under chapter 35 of title 38, where delay has been encountered in determining the individual's eligibility, to elect the most favorable date from which the 10-year eligibility period will commence and the individual may receive chapter 35 benefits. This election would be subject to the approval of the Administrator of Veterans' Affairs.

Under current law, section 1712(b) specifies the occurrences upon which eligibility will be afforded those spouses or surviving spouses eligible under chapter 35. However, it does not take into account situations where the individual has already commenced training, but the eligibility determination is delayed or the initial denial is subsequently overturned on appeal.

Great inconvenience to the eligible spouse can result inasmuch as the individual will probably have already paid for tuition and fees to attend school. This proposed change would permit the eligible spouse or surviving spouse, subject to the limitation of approval by the Administrator, to avoid such inconvenience by electing the commencing date of benefit eligibility.

## Section 108

This section would rewrite section 1720 to remove the requirement that an educational plan be submitted by a parent or guardian on behalf of a child eligible to receive chapter 35 benefits.

Under present law, section 1720(a) provides that the Administrator may, on request, arrange for educational or vocational counseling to help the parent or guardian, as well as the eligible child, in selecting and preparing a program of education for the eligible child. During or after this counseling, the parent or guardian is required to prepare an educational plan for the eligible child. The plan is signed by the parent or guardian and becomes a part of the application for educational assistance.

We believe there is no real need for an educational plan to be submitted. At its core, the educational plan is nothing more than enrollment data which would have to be furnished in any event as part of the process leading to the payment of educational benefits. As a result, it is our view that this provision may be eliminated.

Since subsections (a) and (b) of section 1720 provide that counseling may be furnished on request to eligible children and spouses, respectively, the proposal would simply combine the two existing provisions. As a technical matter, the section heading would be revised to reflect elimination of the need for the child's educational plan.

Section 1721 and its section heading would be amended to reflect the changes incorporated in section 1720.

### Section 109

This section would amend section 1780(f) of title 38 to provide that payment of educational assistance allowances for less than half-time training may be made following receipt of certification from the educational institution concerned that the veteran has enrolled in and is pursuing a program of education at such institution.

Section 1780(f) currently provides that payment of educational assistance allowances for less than half-time training shall be made during the month immediately following the month in which certification is received from the educational institution verifying the veteran's enrollment in and pursuit of a program at that institution.

Due to the introduction of the TARGET computer system, the VA is capable of processing these lump-sum payments more promptly than the law permits. Since the current language of section 1780(f) actually impedes the timely processing of these lump-sum payments, the amendment would be beneficial both to the VA, from a processing standpoint, and to the veteran to whom the allowance is payable.

## Section 110

This section would amend section 1781(b) of title 38 to bar concurrent receipt by an eligible veteran or eligible person of educational benefits under two or more of the laws listed in such section.

Section 1781(b) currently provides that an individual may not receive concurrent benefits under two or more provisions of law listed therein for pursuit of the same program of education. This subsection was added by Public Law No. 98-223, effective March 2, 1984. The intent of this remedial legislation was to avoid unwarranted duplication of benefits. As enacted, however, the language of section 1781(b) restricts concurrent payment under two or more of the laws listed only with regard to the pursuit of the same program. This leaves open the possibility that concurrent benefits could be received for pursuit of different educational or training programs.

The availability of concurrent benefits under two or more VA benefit laws for the same educational or training program creates an obvious potential for a windfall to the veteran. Current legislation addresses this. However, there is an equally serious potential for abuse when concurrent benefits are available for simultaneous pursuit of different educational or training programs. The latter situation could promote enrollment in a "secondary" course either for primarily avocational or recreational purposes, or simply for the benefit income to be derived (educational attainment only being a serious consideration with regard to the primary educational program being pursued). Even for the serious student, simultaneous pursuit of a second program, made possible by the availability of benefits, could detract from successful and timely accomplishment of vocational rehabilitation--thus defeating the purpose for which assistance was provided.

## Section 111

This section would amend section 1784(a) of title 38 to permit educational institutions, with the consent of an eligible veteran or person, to delay certifying enrollments of enrollees until the end of the term, quarter, or semester in the case of independent study or self-paced courses pursued on a less than half-time basis.

Currently, section 1784(a) requires educational institutions and veterans or eligible persons to report to the Administrator, without delay, the enrollment and any interruption of the education of such eligible individuals. Schools offering independent study programs or self-paced courses have suggested, however, that it would be to the mutual advantage of the school and the VA to permit a 6-month delay in reporting enrollments. We believe that a delay in certifying enrollments could, in fact, avoid overpayments in circumstances where the self-paced nature of the course pursuit limits the ability of the school to discover and report changes to, or termination of, enrollments. This proposal would accomplish this and, at the same time, protect the eligible individual's interests by requiring his or her consent to the delay in certification.

## Section 112

This section would amend section 1788(a) of title 38 by restructuring and revising the "Notwithstanding" clause which follows numbered clause (6), to establish parity in the measurement of certain non-college degree (NCD) courses offered by educational institutions.

The "Notwithstanding" clause currently permits institutions offering NCD courses to measure such courses on a quarter- or semester-hour basis, but in no event may such courses be considered full time when less than 22 clock hours of weekly attendance is required. This full-time clock-hour requirement, however, was not adjusted when Public Law 95-202 liberalized the NCD course measurement criteria in section 1788(a)(2), by establishing the minimum full-time requirement at 18 clock hours per week.

Thus, under current law, a situation exists in which certain accredited NCD courses approved on a "clock-hour" basis under section 1788(a)(2) may be measured as full time when 18 clock hours of attendance is scheduled, while the same courses offered on a "credit-hour" basis require a minimum of 22 clock hours of attendance for full-time. This inconsistency is confusing and unwarranted.

Further, we note that students pursuing associate degree programs and NCD students pursuing certificate programs at the same school frequently are enrolled in some of the same classes, yet they receive different rates of benefits simply because they are pursuing different approved program objectives. Since, in such cases, the character, quality, and requirements of the courses are the same for all veterans enrolled in them, it is unreasonable to impose different measurement criteria for the NCD students--resulting in their receiving lower benefit payments. This anomalous and inequitable situation should be corrected.

This proposal would designate the "Notwithstanding" clause as new clause (7), setting forth measurement criteria for NCD courses of the kind described in section 1788(a)(1) and (2), but which are offered on a quarter- or semester-hour basis. It would equalize the full-time clock-hour measurement requirements between such courses, and would also provide that, to the extent individual NCD courses are offered by the same educational institution as part of an undergraduate standard college degree measured pursuant to section 1788(a)(4), such NCD courses shall be measured on the same basis. Other NCD courses within the new clause, whether offered separately or in combination with courses which are part of a standard college degree, would be subject to the stated minimum full-time clock hour requirements.

16.

## TITLE II--REPEAL OF EDUCATION LOAN PROGRAM

### Section 201

This section would amend or repeal various sections of title 38 which authorize the Veterans Administration to make education loans (including "accelerated payments") to veterans and eligible persons.

Subchapter III of chapter 36, title 38, currently permits the VA to make direct education loans to veterans and eligible persons for up to 2 years after their eligibility would otherwise expire, provided that they (1) pursue their program full time; (2) continue in the same program; and (3) have remaining entitlement. Loans also may be made to veterans in flight training who are paid at the 60 percent reimbursement level and who have remained continuously enrolled since prior to August 31, 1981.

The VA education loan program has experienced an excessively high default rate which has resulted in large overpayments. In recent years, Congress has acted to bar the making of these loans to most veterans. In the enactment of Public Law 97-35, the Omnibus Reconciliation Act of 1981, the number of education loans which could be made was drastically reduced. It is recommended that the final step be taken to remove all authority of the VA to make education loans.

Additionally, title 38 contains two provisions, section 1682A and section 1738, authorizing eligible veterans and eligible persons, respectively, to receive education loans in accordance with subchapter III of chapter 36 in the form of accelerated payments of educational assistance allowances. Accelerated payment under these sections was made contingent upon establishment, before November 24, 1982, of programs by States to pay the VA amounts which would match the accelerated payments authorized by the Administrator. Although one State timely enacted a law establishing such a program, it did not thereafter provide necessary funding. Consequently, since no State complied with the statutory matching fund requirement, the program was never utilized, and has now expired. This section would repeal these inoperative accelerated payment provisions.

## Section 202

This section would make technical amendments deleting all title 38 references to educational loans, consistent with the repeal of the education loan program by section 201 of this bill.

## TITLE III--SAVINGS PROVISION

### Section 301

This section provides that, notwithstanding the repeal of the education loan authority presently contained in title 38, the Administrator shall continue to collect the principal and interest on those loans which are outstanding, together with any overpayments which are established under the program. It further provides that the "Veterans' Administration Education Loan Fund," established by section 1799(a) of title 38, which would be repealed by section 201(g) of the draft bill, will continue to be maintained in the United States Treasury. This would allow continued use of the education loan program's existing accounting system, with no cost to the Goverment, as opposed to the establishment of a new accounting structure within the readjustment benefits appropriation. The Administrator would be authorized to periodically transfer amounts from the Fund to the readjustment benefits account for use under that program.

# A BILL

To amend title 38, United States Code, to make certain improvements in the educational assistance programs for veterans and eligible persons; to repeal the education loan program; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

## SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE

Section 1. (a) This Act may be cited as the "Veterans' Educational Assistance Improvements Act of 1985".

(b) Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

## TITLE I--EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

SEC. 101. Section 1631 is amended by inserting "or is pursuing a farm cooperative, apprenticeship or other on-job training program," after "correspondence," in subsection (c).

SEC. 102. Section 1632 is amended to read as follows:

"(a) No educational assistance benefits shall be afforded an eligible veteran under this chapter beyond the date 10 years after such veteran's last discharge or release from active duty. In the case of any eligible veteran who was prevented from initiating or completing such veteran's chosen program of education within such time period because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made within 1 year after (1) the last date of the delimiting period otherwise applicable under this section, or (2) the termination of the period of such mental or physical disability, whichever is later, be granted an extension of the applicable delimiting period for such length of time as the Administrator determines, from the evidence, that such veteran was so prevented from initiating or completing such program of education. When an extension of the applicable delimiting period is granted a veteran under the preceding sentence, the delimiting period with respect to such veteran will again begin running on the first day following such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations which the Administrator shall prescribe, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(b) In the event an eligible veteran has not utilized any or all of such veteran's entitlement by the end of the 10-year period, such eligible veteran is automatically disenrolled and any contributions made by such veteran remaining in the fund shall be refunded to the veteran following notice to the veteran and an application by the veteran for such refund. If no application is received within 1 year from date of notice, it will be presumed, for the purposes of section 1322(a) of title 31, that the individual's whereabouts is unknown and the funds shall be transferred as directed in such section.".

SEC. 103. Section 1641 is amended by--

(1) inserting "(a)" before "The";

(2) striking out "to the program" and inserting in lieu thereof the following:

"to those individuals pursuing programs of education or training, while on active duty"; and

(3) adding at the end thereof the following new subsection: "(b) The provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1682(c)(1), 1683, and 1691(a)(1) of this title and the provisions of chapter 36 shall be applicable to those individuals pursuing programs of

education or training following their discharge or release from active duty.".

SEC. 104. Section 1652(a)(1)(B) is amended to read as follows:

"(B) contracted with the Armed Forces and was enlisted in or assigned to a reserve component prior to January 1, 1977, or was a member of the 1977 graduating class at one of the service academies, and as a result of such enlistment, assignment, or 1977 graduation from a service academy, served on active duty for a period of more than 180 days, any part of which commenced within 12 months after January 1, 1977, and was discharged or released from such active duty under conditions other than dishonorable; or".

SEC. 105. Section 1663 is amended by inserting immediately after the first sentence the following: "Such counseling shall be required prior to the selection of a program of education or training in any case where the Veterans' Administration, having considered all pertinent evidence of record (including any court adjudication finding the veteran mentally incompetent), has rated the veteran as being incompetent.".

SEC. 106. Section 1685(a) is amended by striking out the last sentence thereof.

SEC. 107. Section 1712(b) is amended by adding at the end thereof a new paragraph (3) to read as follows:

"(3) Notwithstanding the provisions of paragraph (1) of this subsection, in the case of any eligible person (as defined in section 1701(a)(1)(B), (C), or (D) of this title) who was prevented from initiating or completing such person's chosen program of education within such period because of a delay in determining such person's eligibility, such person shall, subject to the approval of the Administrator, be permitted to elect the most favorable date to commence receiving educational assistance benefits under this chapter.".

SEC. 108. (a) Section 1720 is amended to read as follows:

"§ 1720. Educational and vocational counseling

"The Administrator may, upon request, arrange for educational or vocational counseling for persons eligible for benefits under this chapter to assist such persons in selecting their educational, vocational, or professional objectives and in developing their programs of education.".

(b) Section 1721 is amended by--

(1) striking out "finally";

(2) striking out clause (1);

(3) redesignating clauses (2), (3), (4), and (5) as clauses (1), (2), (3), and (4), respectively; and

(4) amending the catch line at the beginning to read as follows:

"§ 1721. Approval of application".

(c) The items relating to sections 1720 and 1721 in the table of sections at the beginning of chapter 35 are amended to read as follows:

"1720. Educational and vocational counseling.

"1721. Approval of application.".

SEC. 109. Section 1780(f) is amended to read as follows:

"(f) Payment of educational assistance allowance in the case of any eligible veteran or eligible person pursuing a program of education on less than a half-time basis shall be made in an amount computed for the entire quarter, semester, or term at the rate provided in section 1682(b) or 1732(a)(2) of this title, as applicable. Such lump sum payment shall only be made after the Administrator receives certification from the educational institution that such veteran or person has enrolled in and is pursuing a program at such institution.".

SEC. 110. Section 1781(b) is amended by striking out "for the pursuit of the same program of education".

SEC. 111. Section 1784(a) is amended by adding at the end thereof the following:

"Notwithstanding the provisions of this subsection, in the case of a program of independent study pursued on a less than half-time basis, the Administrator may, upon request by the educational institution, approve a delay in reporting the enrollment or reenrollment of an eligible veteran or eligible person until the end of the term, quarter, or semester, provided the institution obtains consent to the delay from the veteran or eligible person.".

SEC. 112. Section 1788(a) is amended--

(1) by striking out "and" at the end of clause (5);

(2) by inserting "and" at the end of clause (6);

(3) by striking out in the first sentence following clause (6) "Notwithstanding" and all that follows through "courses" the second time it appears and inserting in lieu thereof the following:

> "(7) a course of the type described in clause (1) or (2) of this subsection, which is not offered by an educational institution on a clock-hour basis, may be measured"; and

(4) by striking out the last sentence of newly designated clause (7) and inserting in lieu thereof the following:

> "In no event shall such course, or any portion thereof, which is not also offered by the educational institution in residence as a part of an institutional undergraduate course leading to a standard college degree meeting the criteria of clause (4) of this subsection be measured as full time on the same basis as provided by such clause when pursued at a rate requiring less than 18 hours per week of attendance for a full-time course approved pursuant to section 1775(a)(1) of this

title, or requiring less than 22 hours per week of attendance for a trade or technical course involving shop practice as an integral part thereof, or a course approved pursuant to section 1776 of this title.".

## TITLE II--REPEAL OF EDUCATION LOAN PROGRAM; TECHNICAL AMENDMENTS

SEC. 201. (a) Section 1662(a) is amended by--

(1) striking out paragraph (2) in its entirety; and

(2) redesignating paragraph (3) as paragraph (2).

(b) Section 1682A is repealed.

(c) Section 1686 is repealed.

(d) Section 1712 is amended by--

(1) striking out subsection (f); and

(2) redesignating subsection (g) as subsection (f).

(e) Section 1737 is repealed.

(f) Section 1738 is repealed.

(g) Subchapter III of chapter 36 is repealed in its entirety.

SEC. 202. (a) The table of sections at the beginning of chapter 32 is amended by striking out "1631. Entitlement; loan eligibility." and inserting in lieu thereof "1631. Entitlement; payment of benefits.".

(b) The catch line at the beginning of section 1631 is amended by striking out "loan eligibility" and inserting in lieu thereof "payment of benefits".

(c) The table of sections at the beginning of chapter 34 is amended by striking out the following items:

"1682A. Accelerated payment of educational assistance allowances.

"1686. Education loans.".

(d) The table of sections at the beginning of chapter 35 is amended by striking out the following items:

"1737. Education loans.

"1738. Accelerated payment of educational assistance allowances.".

(e) The table of sections at the beginning of chapter 36 is amended by striking out:

"SUBCHAPTER III--EDUCATION LOANS TO ELIGIBLE VETERANS AND ELIGIBLE PERSONS

"1798. Eligibility for loans; amount and conditions of loans; interest rate on loans.

"1799. Revolving Fund; insurance.".

## TITLE III--SAVINGS PROVISION

SEC. 301. Notwithstanding the provisions of section 201(g) of this Act--

(1) the Administrator is authorized, with respect to education loans made prior to the effective date of this Act, to continue to collect loan principal and interest

10.

due, and to declare and recover (or discharge) overpayments, pursuant to the provisions of section 1798, as such section was in effect on the day before the effective date of this Act; and

(2) the Veterans' Administration Education Loan Fund, established by former section 1799(a), shall continue to be maintained in the Treasury of the United States for deposit of the collections referred to in clause (1) of this section, and the Administrator is authorized to transfer all or any part of the monies contained therein to the appropriation for readjustment benefits, from time to time, to be used for the purposes of that appropriation.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MAY 22 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to respond to your request for the views of the Veterans Administration on S. 769, 99th Congress. This measure would compel the use of upright grave markers in all open national cemeteries, beginning in fiscal year 1986, unless there is a specific request for a flat marker. During the period October through December 1985, we would be authorized to waive this requirement if the cemetery concerned does not have an upright section, but, as of January 1, 1986, we would be required to designate in each open national cemetery an upright marker section and a flat marker section.

We strongly oppose mandating the use of upright grave markers in our national cemeteries, on the basis of cost, impact on available grave space, and operational efficiency. We believe that flat markers provide fitting and dignified memorials for veterans. Accordingly, we counsel against the enactment of S. 769.

Flat markers have become increasingly popular in this country over the past 50 years. The strong trend in cemetery design in all parts of the country has been towards memorial parks, which generally exclude upright stones, and strive for a serene, natural setting. In response to this trend, flat markers have been approved to mark veterans' graves in private cemeteries since the late 1930's. Today, over 90 percent of the markers ordered from the Agency for placement on veterans' graves in private cemeteries are of the flat type--a clear reflection of public acceptance.

Flat markers are not new to the National Cemetery System. The three national cemeteries opened in 1948-1950--Puerto Rico, Willamette (Oregon), and the Punchbowl (Hawaii)--have used only flat markers, and are regarded as among the most beautiful in the National Cemetery System. Flat markers have also long been used in the cemeteries adjacent to VA medical centers.

In 1976, the Advisory Committee on Cemeteries and Memorials recommended that flat markers be used in the new regional cemeteries then being planned. After additional studies were conducted, we extended the use of flat markers to new burial areas in existing cemeteries in 1982. In burial areas that already have upright headstones, uprights continue to be used until those sections are filled.

The decision to extend the use of flat markers was based on a number of considerations, including operating efficiency, cost effectiveness, conservation of cemetery land, and private sector trends.

The use of flat markers is an integral part of our effort to improve the productivity of VA employees and the effectiveness of national cemetery operations. The flat markers permit much more efficient grounds maintenance, including very basic requirements such as mowing and trimming. This is a factor which will become increasingly important to the appearance and upkeep of our national cemeteries in times of limited resources. Flat markers are less subject to damage, erosion, and discoloration than the white marble uprights, which are comparatively soft and porous. This in turn results in less frequent need for cleaning and replacement. With a weight of about 100 lbs. less than an upright, a flat marker can be installed by one person rather than two, with less risk of injury to the employee.

In addition to enhancing the efficiency of cemetery operations, the flat markers continue to yield significant procurement savings. In fiscal year 1984, the average cost for a flat granite marker was $33.99, compared to $83.10 for an upright marble stone.

Conservation of cemetery land is a major consideration in evaluating the advantages of flat markers. Before 1982, the standard grave size in national cemeteries was 5' x 10'. This allows about a foot of undisturbed soil at the head of the grave where the upright marker could be placed. The weight of the upright stone is highly concentrated in a small area, and if the stone is placed on soil previously excavated for the grave, it will tend to sink. The situation differs with flat markers, whose weight is far less and is spread out over a larger area. With flat markers, it has been possible to use a standard grave size of 4' x 8', with a yield of 1,312 gravesites per acre versus 840 gravesites per acre using the 5' x 10' size. The use of smaller gravesites represents an important part of our effort to keep national cemeteries open as long as possible and to provide service to as many veterans as possible.

Requiring the Agency to designate flat and upright sections in every national cemetery would not only pose very serious operating problems, but also would deprive the Agency of its current flexibility to make common-sense decisions regarding monumentation in individual cemeteries. Making such demarcations without disrupting the aesthetic environment could require extensive redesign in many cemeteries. It would be very difficult to anticipate what proportion of land should be set aside for each type of marker. In small cemeteries, and those with little remaining land, these decisions would be especially burdensome.

Difficult decisions indeed would face us in the large, active cemeteries like Calverton, on Long Island. With over 6,000 interments a year, it is the busiest cemetery in the National Cemetery System. Calverton, like our other new regional cemeteries, was designed for a park-like atmosphere, in keeping with the natural contours of the land. Burial sections have been laid out in conformance with this concept. A dramatic change of this type would be aesthetically disruptive to the peaceful setting of the cemetery and require significant revisions to the master plan, such as wider roadways, additional access to burial sections to accommodate heavy equipment, and redesign of the irrigation system.

Calverton experiences extended frost periods--as do many of our cemeteries--and would need to open twice as many graves each fall to accommodate burials in either flat or upright sections for winter burials. Utilization of personnel resources would necessarily be less efficient if both interment and grounds maintenance crews must be spread over a larger area. Additional equipment would be needed for burials, mowing, trimming, spraying, and setting headstones. Headstone installation is less efficient with the uprights; additional employees would be needed each spring when the ground thaws, in order to avoid backlogs.

The Veterans Administration believes that flat markers clearly reflect the overwhelming trend in cemeterial design in America today. They are cost effective, and they make a significant difference in the availability of gravesites at individual cemeteries. We would especially hope that national cemeteries specifically designed for this concept be allowed to continue without disruption.

In light of the marked advantages of flat markers, we strongly oppose legislation requiring upright stones in national cemeteries, on the basis of cost, operating efficiency, future burial needs, and private cemetery trends. We similarly oppose the requirement that dual sections be designated for each national cemetery.

S. 769, if enacted, is estimated to cost $3.8 million in fiscal year 1986, $4 million in fiscal year 1987, $4 million in fiscal year 1988, $4.2 million in fiscal year 1989, and $4.4 million in fiscal year 1990. This includes the additional costs of upright markers--$3.2 million in fiscal year 1986 and comparable amounts in future fiscal years--as well as the cost of increased reimbursements under 38 U.S.C. § 906(d). Included also are increased maintenance costs of $64,000 in fiscal year 1986, anticipated to rise to $327,000 by fiscal year 1990. We are not able at this time to estimate with any degree of certainty increased costs from less efficient operations, cemetery redesign, and other such indirect effects.

On March 12, 1985, the Office of Management and Budget advised, in connection with H.R. 757, a similar measure, that enactment of this type of legislation would not be in accord with the President's program.

Sincerely,

Everett Alvarez / Deputy Administrator • For

HARRY N. WALTERS
Administrator

Office of the
Administrator
of Veterans Affairs

Veterans
Administration

MAY 22 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This will respond to your request for a report by the Veterans Administration on S. 965, 99th Congress, a bill "To amend title 38, United States Code, to remove an inequity in the Veterans' Administration program to provide assistance to certain disabled veterans in acquiring specially adapted residences."

For the reasons stated below, the Veterans Administration would favor enactment of S. 965 if one technical amendment were made.

The bill would amend section 801(b) of title 38, United States Code, which currently provides assistance to veterans who are blind, or have lost or lost the use of both hands, in adapting their homes to the nature of their disability. The proposed amendment would authorize the Administrator to provide assistance to veterans with these disabilities who are acquiring a residence already adapted with the necessary special features.

Chapter 21 of title 38, United States Code, authorizes two types of housing assistance. Section 801(a) authorizes assistance to veterans who have one of the following total and permanent service-connected disabilities:

a. loss or loss of use of both lower extremities;

b. blindness plus loss of use of one lower extremity; or

c. loss or loss of use of one lower extremity plus either (i) residuals of organic disease or injury, or (ii) loss or loss of use of one upper extremity, so as to preclude locomotion without the aid of braces, crutches, canes or a wheelchair.

These veterans are eligible for a one-time grant, not to exceed $35,500, to assist in the acquisition of a specially adapted home. The grant funds may be used to pay for both the actual adaptations, and for the basic residence itself, including the necessary land.

A more limited benefit is authorized by section 801(b). Veterans who have total and permanent service-connected blindness, or the anatomical loss or loss of use of both hands may receive a one-time grant, not to exceed $6,000, to cover the actual costs of adaptations to their residences which may be reasonably necessary because of their disabilities. The grant funds may not be used to pay for anything but the actual adaptations.

Veterans eligible for assistance under section 801(a) may receive a grant if they purchase a residence that already contains the necessary adaptations. No grant can be given under present law, however, to veterans eligible under section 801(b) who purchase homes that are already adapted. S. 965 would authorize such assistance.

The Veterans Administration believes that specially adapted housing benefits should be made available to those veterans whose disabilities are such as to make it difficult, or impossible, for them to live in comfort in a conventional home. The inclusion in the benefits program under section 801(b) of veterans who choose to acquire housing with special features already in place appears to be a logical extension of the program.

As we have noted, the grant authorized by section 801(b) is based upon the actual cost of the adaptations made. Since no adaptations would actually be made in the case of veterans acquiring homes which already have the required special features, there would be no basis for VA to actually pay the benefit contemplated by S. 965. Accordingly, we would recommend that the bill be amended by redesignating paragraph (b) of the bill as paragraph (c), and inserting the following new paragraph (b):

"(b) Section 802(b)(1) of title 38, United States Code, is amended by striking out 'cost' and inserting in lieu thereof, 'cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,'."

3.

Honorable Frank H. Murkowski

The Veterans Administration estimates that the enactment of S. 965 would result in increased benefits costs of less then $1,000,000 and administrative costs of less than $100,000 per fiscal year.

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report on S. 965 from the standpoint of the Administration's program.

Sincerely,

Everett Alvarez Jr.

HARRY N. WALTERS Deputy Administrator • For
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 17 1985

Honorable Frank H. Murkowski
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your request for the views of this Office on S. 965, a bill "To amend title 38, United States Code, to remove an inequity in the Veterans' Administration program to provide assistance to certain disabled veterans in acquiring specially adapted residences."

In its report to your Committee of May 22, 1985, the Veterans Administration (VA) explains its reasons for favoring enactment of S. 965 if one technical amendment were made.

The Office of Management and Budget concurs in the views expressed by VA and, accordingly, would support S. 965 if it were amended, as proposed by VA.

Sincerely,

James M. Frey

James M. Frey
Assistant Director for
Legislative Reference

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

SEP 12 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This will respond to your request for a report by the Veterans Administration on S. 1602, 99th Congress, a bill "To amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to assist certain disabled veterans in acquiring specially adapted residences."

For the reasons stated below, the Veterans Administration favors enactment of S. 1602.

The bill would amend section 801(b) of title 38, United States Code, which currently provides assistance to veterans who are blind, or have lost or lost the use of both hands, in adapting their homes to the nature of their disability. The proposed amendment would authorize the Administrator to provide assistance to veterans with these disabilities who are acquiring a residence already adapted with the necessary special features.

Chapter 21 of title 38, United States Code, authorizes two types of housing assistance. Section 801(a) authorizes assistance to veterans who have one of the following total and permanent service-connected disabilities:

(1) Loss or loss of use of both lower extremities;

(2) blindness plus loss of use of one lower extremity; or

(3) loss or loss of use of one lower extremity plus either (i) residuals of organic disease or injury, or (ii) loss or loss of use of one upper extremity, so as to preclude locomotion without the aid of braces, crutches, canes or a wheelchair.

These veterans are eligible for a one-time grant, not to exceed $35,500, to assist in the acquisition of a specially adapted home. The grant funds may be used to pay for both the actual adaptations, and for the basic residence itself, including the necessary land.

A more limited benefit is authorized by section 801(b). Veterans who have total and permanent service-connected blindness, or the anatomical loss or loss of use of both hands may receive a one-time grant, not to exceed $6,000, to cover the actual costs of adaptations to their residences which may be reasonably necessary because of their disabilities. The grant funds may not be used to pay for anything but the actual adaptations.

Veterans eligible for assistance under section 801(a) may receive a grant if they purchase a residence that already contains the necessary adaptations. No grant can be given under present law, however, to veterans eligible under section 801(b) who purchase homes that are already adapted. S. 1602 would authorize such assistance.

The Veterans Administration believes that specially adapted housing benefits should be made available to those veterans whose disabilities are such as to make it difficult, or impossible, for them to live in comfort in a conventional home. The inclusion in the benefits program under section 801(b) of veterans who choose to acquire housing with special features already in place appears to be a logical extension of the program.

As we have noted, the grant authorized by section 801(b) is based upon the actual cost of the adaptations made. S. 1602, therefore, amends section 802(b)(1) of title 38, United States Code, to provide that, in the case of a veteran acquiring a residence already adapted with special features, the grant will be based on the fair market value of such features.

This measure is similar to S. 965, 99th Congress. We had previously advised you that we would support S. 965 if one technical amendment were made. S. 1602 contains that technical correction.

3.

Honorable Frank H. Murkowski

The Veterans Administration estimates that the enactment of S. 1602 would result in increased benefits costs of less than $1,000,000 and administrative costs of less than $100,000 per fiscal year.

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report on S. 1602 from the standpoint of the Administration's program.

Sincerely,

Everett Alvarez Jr

Deputy Administrator, For

HARRY N. WALTERS
Administrator

Office of the
Administrator
of Veterans Affairs

Veterans
Administration

JUN 7 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This will respond to your request for the Agency's comments on S. 9, 99th Congress, a bill "To amend title 38, United States Code, to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of Veterans' Administration home loan guaranties."

Section 2 of the bill would amend section 1803(c) of title 38, United States Code, to authorize the Veterans Administration to guarantee loans with Adjustable Rate Mortgages (ARM). This section provides for methods under which the adjustments may be made and imposes a limitation on the maximum increase in the interest rate over the term of the loan.

Traditionally, the initial interest rate on ARMs has been lower than that on conventional fixed rate mortgages. The reason is that the borrower has assumed some of the risk associated with uncertainty over future rates. In fixed rate mortgages, the lender assumes all of this risk and builds it into the interest rate charged to the home buyer.

As the interest rates on fixed rate mortgages have stabilized or declined, the rate difference between the two types of loans has declined. Additionally, demands by the public for buyer safeguards have led to a partial shift of the risk from the buyer back to the lender, thus, resulting in a higher initial rate on ARM loans and a further narrowing of the difference with fixed rate mortgages. However, an important attraction of ARM loans is that borrowers who might not be able to qualify financially for a fixed rate mortgage can possibly qualify for an adjustable rate mortgage based on lower initial payments. In the past few years, such qualification has sometimes occurred without regard to larger future payments that may be required as the interest rate increases.

In the recent past, some borrowers with adjustable rate mortgages have experienced either "payment shock" when the borrower's monthly payment increases, or a negative amortization when scheduled mortgage payments have been lower than required for amortization in the initial years of the mortgage. Either of these factors increases the probability of default and thus the risk of loss to the Government. This risk increases further when a borrower's down payment is 5 percent or less. About two-thirds of all VA loans are made with no down payment.

Given the already precarious financial condition of the Loan Guaranty Revolving Fund, we do not believe that an amendment to the current statute to authorize VA to guarantee adjustable rate mortgages would be warranted.

Section 3 of S. 9 would amend title 38, United States Code, to increase the maximum loan guaranty amount on conventional home loans from $27,500 to $35,000 and would also increase the maximum guaranty on manufactured homes from $20,000 to $22,000.

In Fiscal Year 1984 the average home loan amount for VA guaranteed loans was $67,877. Based upon a maximum VA guaranty of $27,500, the average loan was guaranteed 40.51 percent. This guaranty is far in excess of the traditional 25 percent protection required by secondary market investors and is sufficient to support loans up to $110,000. Accordingly, the increase in the guaranty from $27,500 to $35,000 is not recommended.

Under current law, the maximum VA guaranty on manufactured home loans is 50 percent of the loan amount not to exceed $20,000. In Fiscal Year 1984 as the average loan amount was $21,273, the average VA guaranty totaled approximately $10,636, well below the $20,000 maximum. The maximum available VA guaranty, therefore, appears to be more than adequate and an increase in this guaranty would not be warranted at this time.

For the reasons recited above, the VA opposes enactment of S. 9, 99th Congress.

3.

Honorable Frank H. Murkowski

The following constitute 5-year cost estimates in the event these proposals were enacted:

a. No reliable estimate can be made of the costs resulting from the enactment of the provision authorizing adjustable rate mortgages. However, as the preceding discussion indicates, the additional risk from such loans is potentially very large.

b. Costs involved if maximum guarantees were increased:

Home Loans

| FY | Claims Affected | Cost ($000) |
|---|---|---|
| 1986 | 19 | $ 52 |
| 1987 | 197 | 510 |
| 1988 | 611 | 1,582 |
| 1989 | 852 | 2,205 |
| 1990 | 951 | 2,467 |
| | 2,630 | $6,816 |

Manufactured Home Loans

| FY | Claims Affected | Cost ($000) |
|---|---|---|
| 1986 | 140 | $ 2 |
| 1987 | 493 | 7 |
| 1988 | 703 | 10 |
| 1989 | 833 | 12 |
| 1990 | 878 | 13 |
| | 3,047 | $44 |

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report on S. 9 from the standpoint of the Administration's program.

Sincerely,

HARRY N. WALTERS
Administrator

Office of the
Administrator
of Veterans Affairs

Veterans
Administration

JUN 7 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

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Given the already precarious financial condition of the Loan Guaranty Revolving Fund, we do not believe that an amendment to the current statute to authorize VA to guarantee adjustable rate mortgages would be warranted.

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In Fiscal Year 1984 the average home loan amount for VA guaranteed loans was $67,877. Based upon a maximum VA guaranty of $27,500, the average loan was guaranteed 40.51 percent. This guaranty is far in excess of the traditional 25 percent protection required by secondary market investors and is sufficient to support loans up to $110,000. Accordingly, the increase in the guaranty from $27,500 to $35,000 is not recommended.

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For the reasons recited above, the VA opposes enactment of S. 9, 99th Congress.

3.

Honorable Frank H. Murkowski

The following constitute 5-year cost estimates in the event these proposals were enacted:

a. No reliable estimate can be made of the costs resulting from the enactment of the provision authorizing adjustable rate mortgages. However, as the preceding discussion indicates, the additional risk from such loans is potentially very large.

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| 1987 | 493 | 7 |
| 1988 | 703 | 10 |
| 1989 | 833 | 12 |
| 1990 | 878 | 13 |
|  | 3,047 | $44 |

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report on S. 9 from the standpoint of the Administration's program.

Sincerely,

Everett Alvarez / Deputy Administrator • For.

HARRY N. WALTERS
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 17 1985

Honorable Frank H. Murkowski
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your request for the views of this Office on S. 9, a bill "To amend title 38, United States Code, to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of Veterans' Administration home loan guaranties."

In its report to your Committee of June 7, 1985, the Veterans Administration (VA) explains in detail its reasons for opposing enactment of S. 9.

The Office of Management and Budget concurs in the views expressed by the VA and, accordingly, opposes enactment of S. 9.

Sincerely,

James M. Frey

James M. Frey
Assistant Director for
Legislative Reference

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

JUL 19 1985

Honorable Frank H. Murkowski
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to respond to your request for the views of the Veterans Administration on S. 622, 99th Congress, a bill "to require the Administrator of Veterans' Affairs to transmit certain annual reports to Congress to facilitate the orderly expansion of the National Cemetery System." The Veterans Administration opposes the enactment of S. 622.

This bill would add a new subsection to section 1000 of title 38, United States Code, requiring me to submit to your Committee, and to the House Committee on Veterans' Affairs, an annual report on the construction and expansion of national cemeteries. Each such report would include:

--a 5-year plan for national cemetery system construction and expansion;

--a list of the 10 areas of the United States most in need of additional veteran burial space;

--an analysis of whether existing State cemeteries should be acquired in the 10 areas so listed; and

--general plans for any proposed cemetery construction or expansion included in the report.

Under current law, all veterans and certain immediate family members are eligible for interment in a national cemetery. Because the veteran population is aging, we anticipate some increase in the utilization of this benefit over the next few decades. However, we believe that sufficient burial space will be available once the Northern California and Florida national cemeteries join the eleven other large regional cemeteries and are brought to operational status. In addition, I would like to note that there are presently 109 national cemeteries throughout the Nation, and the Department of Memorial Affairs has an ongoing process to help assure maximum utilization of all available space.

In summary, we perceive no need for the type of expansion S. 622 is intended to facilitate, and we oppose its enactment.

This measure would entail direct costs estimated at less than $1 million in any fiscal year. Expansion costs are, of course, not included, but would be significant in terms of both capital and permanent operating costs.

We have been advised by the Office of Management and Budget that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Everett Alvarez

Deputy Administrator For

HARRY N. WALTERS
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON D.C. 20503

OCT 25 1985

Honorable Frank H. Murkowski
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your request for the views of this Office on S. 1602, a bill "To amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to assist certain disabled veterans in acquiring specially adapted residences."

In its report to your Committee of September 12, 1985, the Veterans Administration (VA) favors enactment of S. 1602.

The Office of Managment and Budget concurs in the views expressed in the VA report and, accordingly, favors enactment of S. 1602.

Sincerely,

James M. Frey

James M. Frey
Assistant Director for
Legislative Reference

## CHANGES IN EXISTING LAW MADE BY S. 1887 AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

# TITLE 10—ARMED FORCES

* * * * * * *

## CHAPTER 75—DEATH BENEFITS

Sec.
1475. Death gratuity: death of members on active duty or inactive duty training and of certain other persons.
1476. Death gratuity: death after discharge or release from duty or training.
1477. Death gratuity: eligible survivors.
1478. Death gratuity: amount.
1479. Death gratuity: delegation of determinations, payments.
1480. Death gratuity: miscellaneous provisions.
1481. Recovery, care, and disposition of remains: decedents covered.
1482. Expenses incident to death.
1483. Prisoners of war and interned enemy aliens.
1484. Pensioners, indigent patients, and persons who die on military reservations.
1485. Dependents of members of armed forces.
1486. Other citizens of United States.
1487. Temporary interment.
1488. Removal of remains.
1489. Death gratuity: members and employees dying outside the United States while assigned to intelligence duties.
1490. Transportation of remains of members entitled to retired or retainer pay who die in a military medical facility.
*1491. Memorial areas in Arlington National Cemetery.*

* * * * * * *

### ***§ 1491. Memorial areas in Arlington National Cemetery***

*(a) The Secretary of the Army may set aside, when available, a suitable area or areas in Arlington National Cemetery, Virginia, to honor the memory of members of the Armed Forces and veterans (as defined in section 101(2) of title 38)—*

*(1) who are missing in action;*

*(2) whose remains have not been recovered or identified;*

*(3) whose remains were buried at sea, whether by the member's or veteran's own choice or otherwise;*

*(4) whose remains were donated to science; or*

*(5) whose remains were cremated and whose ashes were scattered without interment of any portion of the ashes.*

*(b) Under regulations prescribed by the Secretary, appropriate memorials or markers may be erected in Arlington National Cemetery to honor the memory of those individuals, or group of individuals, referred to in subsection (a).*

* * * * * * *

# TITLE 38—VETERANS' BENEFITS

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## TABLE OF SECTIONS

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## PART III. READJUSTMENT AND RELATED BENEFITS

### CHAPTER 30.—ALL VOLUNTEER FORCE EDUCATIONAL ASSISTANCE PROGRAM

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# TITLE 38—UNITED STATES CODE

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## PART I—GENERAL PROVISIONS

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### CHAPTER 1—GENERAL

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**§ 101. Definitions**

For the purposes of this title—

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(29) The term "Vietnam era" means *(A)* the period beginning *on* August 5, 1964, and ending on May 7, [1975.] *1975, or (B) the period beginning on February 21, 1961, and ending on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during such period.*

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### CHAPTER 3—VETERANS' ADMINISTRATION; OFFICERS AND EMPLOYEES

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### Subchapter II—Administrator of Veterans' Affairs

**§ 210. Appointment and general authority of Administrator; Deputy Administrator**

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(b)(1) * * *

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(2)(A) * * *

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(C) For the purposes of this paragraph—

(i) The term "administrative reorganization" means a consolidation, elimination, abolition, or redistribution of functions under the authority granted the Administrator under the second sentence of paragraph (1) of this subsection.

(ii) The term "covered office or facility" means a Veterans' Administration office or facility that is the permanent duty station for 25 or more employees or that is a free-standing outpatient clinic.

*(iii) The term "detailed plan and justification" means, with respect to an administrative reorganization, a written report which, at a minimum—*

*(I) specifies the number of employees by which each covered office or facility affected is to be reduced, the responsibilities of those employees, and the means by which the reduction is to be accomplished;*

*(II) identifies any existing or planned office or facility at which the number of employees is to be increased and specifies the number and responsibilities of the additional employees at each such office or facility;*

*(III) describes the changes in the functions carried out at any existing office or facility and the functions to be assigned to an office or facility not in existence on the date that the plan and justification are submitted pursuant to subparagraph (A) of this paragraph;*

*(IV) explains the reasons for the determination that the reorganization is appropriate and advisable in terms of the statutory missions and long-term goals of the Veterans' Administration;*

*(V) describes the effects that the reorganization may have on the provision of benefits and services to veterans and dependents of veterans (including the provision of benefits and services through offices and facilities of the Veterans' Administration not directly affected by the reorganization); and*

*(VI) provides estimates of the costs of the reorganization and of the cost impact of the reorganization, together with analyses supporting those estimates.*

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## PART II—GENERAL BENEFITS

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## CHAPTER 11—COMPENSATION FOR SERVICE-CONNECTED DISABILITY OR DEATH

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### Subchapter II—Wartime Disability Compensation

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**§ 314. Rates of wartime disability compensation**

For the purposes of section 310 of this title—

(a) if and while the disability is rated 10 percent the monthly compensation shall be **[**$66**]** *$68;*

(b) if and while the disability is rated 20 percent the monthly compensation shall be **[**$122**]** *$126;*

(c) if and while the disability is rated 30 percent the monthly compensation shall be **[**$185**]** *$191;*

(d) if and while the disability is rated 40 percent the monthly compensation shall be [$266] *$274;*

(e) if and while the disability is rated 50 percent the monthly compensation shall be [$376] *$388;*

(f) if and while the disability is rated 60 percent the monthly compensation shall be [$474] *$489;*

(g) if and while the disability is rated 70 percent the monthly compensation shall be [$598] *$617;*

(h) if and while the disability is rated 80 percent the monthly compensation shall be [$692] *$713;*

(i) if and while the disability is rated 90 percent the monthly compensation shall be [$779] *$803;*

(j) if and while the disability is rated as total the monthly compensation shall be [$1,1295] *$1,335;*

(k) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of one or more creative organs, or one foot, or one hand, or both buttocks, or blindness of one eye, have only light perception, or has suffered complete organic aphonia with constant inability to communicate by speech, or deafness of both ears, having absence of air and bone conduction, the rate of compensation therefor shall be $62 per month for each such loss or loss of use independent of any other compensation provided in subsections (a) through (j) or subsection (s) of this section but in no event to exceed [$1,609] *$1,659* per month; and in the event the veterans has suffered one or more of the disabilities heretofore specified in this subsection, in addition to the requirement for any of the rates specified in subsections (*l*) through (n) of this section, the rate of compensation shall be increased by $62 per month for each such loss or loss of use, but in no event to exceed [$2,225] *$2,325* per month;

(*l*) the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both feet, or of one hand and one foot, or is blind in both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$1,609] *$1,659;*

(m) if the veterans, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both hands, or of both legs at a level, or with complications, preventing natural knee action with prostheses in place, or of one arm and one leg at levels, or with complications, preventing natural elbow and knee action with prostheses in place, or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering such vetern so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$1,774] *$1,829;*

(n) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both arms at levels, or with complications, preventing natural elbow action with prostheses in place, has suffered the anatomical loss of both legs so near the hip as to prevent the use of prosthetic appliances, or has suffered the anatomical loss of one arm and one leg so near the shoulder and hip as to prevent the use of prosthetic appliances, or has suffered the anatomical loss of both eyes, or has suffered blindness without light perception in both eyes, the monthly compensation shall be [$2,017] *$2,080*;

(*o*) if the veteran, as the result of service-connected disability, has suffered disability under conditions which would entitle such veteran to two or more of the rates provided in one or more subsections (*l*) through (n) of this section, no condition being considered twice in the determination, or if the veteran has suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 60 percent or more disabling and the veteran has also suffered service-connected total blindness with 5/200 visual acuity or less, or if the veteran has suffered service-connected total deafness in one ear or bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 40 percent or more disabling and the veteran has also suffered service-connected blindness having only light perception or less, or if the veteran has suffered the anatomical loss of both arms so near the shoulder as to prevent the use of prosthetic appliances, the monthly compensation shall be [$2,255] *$2,325;*

(p) in the event the veteran's service-connected disabilities exceed the requirements for any of the rates prescribed in this section, the Administrator may allow the next higher rate or an intermediate rate, but in no event in excess of [$2,255] *$2,325*. In the event the veteran has suffered service-connected blindness with 5/200 visual acuity or less and (1) has also suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at no less than 30 percent disabling, the Administrator shall allow the next higher rate, or (2) has also suffered service-connected total deafness in one ear or service-connected anatomical loss or loss of use of one hand or one foot, the Administrator shall allow the next intermediate rate, but in no event in excess of [$2,255] *$2,325*. In the event the veteran has suffered service-connected blindness, having only light perception or less, and has also suffered bilateral deafness and the hearing impairment in either one or both ears is service connected) rated at 10 or 20 percent disabling, the Administrator shall allow the next intermediate rate, but in no event in excess of $2,185. In the event the veteran has suffered the anatomical loss or loss of use, or a combination of anatomical loss and loss of use, of three extremities, the Administrator shall allow the next higher rate or intermediate rate, but in no event in excess of [$2,255] *$2,325*. Any intermediate rate under this subsection shall be established at the arithmetic mean, rounded down to the nearest dollar, between the two rates concerned;

[(q)] * * *

(r) Subject to section 3203(e) of this title, if any veteran, otherwise entitled to compensation authorized under subsection (o) of this section, at the maximum rate authorized under subsection (p) of this section, at the intermediate rate authorized between the rates authorized under subsections (n) and (o) of this section and at the rate authorized under subsection (k) of this section, is in need of regular aid and attendance, then, in addition to such compensation—

(1) the veteran shall be paid a monthly aid and attendance allowance at the rate of **[**$968**]** *$998*; or

(2) if the veteran, in addition to such need for regular aid and attendance, is in need of a higher level of care, such veteran shall be paid a monthly aid and attendance allowance at the rate of **[**$1,442**]** *$1,4387.* in lieu of the allowance authorized in clause (1) of this subsection, if the Administration finds that the veteran, in the absence of the provision of such care, would require hospitalization, nursing home care, or other residential institutional care.

For the purposes of clause (2) of this subsection, need for a higher level of care shall be considered to be need for personal health-care services provided on a daily basis in the veteran's home by a person who is licensed to provide such services or who provides such services under the regular supervision of a licensed health-care professional. The existence of the need for such care shall be determined by a physician employed by the Veterans' Administration or, in areas where no such physician is available, by a physician carrying out such function under contract or fee arrangement based on an examination by such physician.

For the purposes of section 334 of this title, such allowance shall be considered as additional compensation payable for disability.

(s) If the veteran has a service-connected disability rated as total, and (1) has additional service-connected disability or disabilities independently ratable at 60 percent or more, or, (2) by reason of such veteran's service-connected disability or disabilities, is permanently housebound, then the monthly compensation shall be **[**$1,449**]** *$1,494;* For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to such veteran's house (ward or clinical areas, if institutionalized) or immediate premises due to a service-connected disability or disabilities which it is reasonably certain will remain throughout such veteran's lifetime.

(t)(1) If the veteran (A) is entitled to receive compensation at any rate provided for under subsections (a) through (i) of this section and compensation under subsection (k) of this section, (B) has suffered the loss or loss of use of an extremity as a result of a service-connected disability ratable at 40 percent or more, and (C) has suffered the loss or loss of use of the paired extremity as a result of a non-service-connected disability, not the result of the veteran's own willful misconduct, that would be rated, if service-connected, at 40 percent or more, the monthly rate of compensation payable to such veteran shall be increased by **[**$280.**]** *$289.*

(2) If a veteran described in paragraph (1) of this subsection receives any money or property of value pursuant to an award in a judicial proceeding based upon, or a settlement or compromise of, any cause of action for damages for the non-service-

connected disability described in such paragraph, the increase in the rate of compensation otherwise payable under this subsection shall not be paid for any month following a month in which any such money or property is received until such time as the total of the amount of such increase that would otherwise have been payable equals the total of the amount of any such money received and the fair market value of any such property received.

### § 315. Additional compensation for dependents.

Any veteran entitled to compensation at the rates provided in section 314 of this title, and whose disability is rated not less than 30 percent, shall be entitled to additional compensation for dependents in the following monthly amounts:

(1) If and while rated totally disabled and—

(A) has a spouse but no child, [$79] *$81*;

(B) has a spouse and one or more children, [$132] *$136* plus [$42] *$43* for each child in excess of one;

(C) has no spouse but one or more children, [$54] *$56* plus [$42] *$43* for each child in excess of one;

(D) has a parent dependent upon such veteran for support, then, in addition to the above amounts, [$64] *$66* for each parent dependent;

(E) notwithstanding the other provisions of this paragraph, the monthly payable amount on account of a spouse who is (i) a patient in a nursing home or (ii) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person, shall be [$143] *$147* for a totally disabled veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section; and

(F) notwithstanding the other provisions of this paragraph, the monthly amount payable on account of each child who has attained the age of eighteen years and who is pursuing a course of instruction at an approved educational institution shall be [$120] *$124* for a totally disabled veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section.

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## Subchapter VI—General Compensation Provisions

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### § 362. Clothing Allowance.

The Administrator under regulations which the Administrator shall prescribe, shall pay a clothing allowance of [$349] *$360* per year to each veteran who because of disability which is compensable under the provisions of this chapter, wears or uses prosthetic or orthopedic appliance or appliances (including a wheelchair) which the Administrator determines tends to wear out or tear the clothing of such a veteran.

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## CHAPTER 13—DEPENDENCY AND INDEMNITY COMPENSATION FOR SERVICE-CONNECTED DEATHS

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### Subchapter II—Dependency and Indemnity Compensation

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### §411. Dependency and indemnity compensation to a surviving spouse

(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

[

| Pay grade | Monthly rate | Pay grade | Monthly rate |
|---|---|---|---|
| E-1 | $476 | W-4 | $682 |
| E-2 | 490 | O-1 | 602 |
| E-3 | 502 | O-2 | 621 |
| E-4 | 535 | O-3 | 665 |
| E-5 | 549 | O-4 | 703 |
| E-6 | 561 | O-5 | 775 |
| E-7 | 589 | O-6 | 873 |
| E-8 | 621 | O-7 | 944 |
| E-9 | [1]649 | O-8 | 1,035 |
| W-1 | 602 | O-9 | 1,111 |
| W-2 | 626 | O-10 | [2]1,217 |
| W-3 | 644 | | |

]

| *Pay grade* | *Monthly rate* | *Pay grade* | *Monthly rate* |
|---|---|---|---|
| *E-1* | *$491* | *W-4* | *$703* |
| *E-2* | *505* | *O-1* | *621* |
| *E-3* | *518* | *O-2* | *640* |
| *E-4* | *552* | *O-3* | *686* |
| *E-5* | *566* | *O-4* | *725* |
| *E-6* | *578* | *O-5* | *799* |
| *E-7* | *607* | *O-6* | *900* |
| *E-8* | *640* | *O-7* | *973* |
| *E-9* | [1]*669* | *O-8* | *1,067* |
| *W-1* | *621* | *O-9* | *1,145* |
| *W-2* | *645* | *O-10* | [2]*1,255* |
| *W-3* | *664* | | |

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast [Guard]; *Guard,* at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be [$700] *$722.*

[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of the Air [Force] *Force,* [or] Commandant of the Marine Corps, *or Commandant of the Coast Guard,* at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be [$1,305] *$1,345.*

(b) If there is a surviving spouse with one or more children below the age of eighteen of a deceased veteran, the dependency and indemnity compensation paid monthly to the surviving spouse shall be increased by [$55] *$57* for each such child.

(c) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by [$143] *$147* if the spouse is (1) a patient in a nursing home or (2) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

(d) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by [$70] *$72* if the surviving spouse is, by reason of disability, permanently housebound but does not qualify for the aid and attendance allowance under subsection (c) of this section. For the purposes of this subsection the requirement of "permanently housebound" will be considered to have been met when the surviving spouse is substantially confined to such surviving spouse's home (ward or clinical areas, if institutionalized) or immediate premises by reason of a disability or disabilities which it is reasonably certain will remain throughout such surviving spouse's lifetime.

* * * * * * *

### § 413. Dependency and indemnity compensation to children

(a) Whenever there is no surviving spouse of a deceased veteran entitled to dependency and indemnity compensation, dependency and indemnity compensation shall be paid in equal shares to the children of the deceased veteran at the following monthly rates:

(1) one child [$240] *$247;*

(2) two children, [$345] *$356;*

(3) three children, [$446] *$460;* and

(4) more than three children, [$446] *$460,* plus [$90] *$93* for each child in excess of three.

* * * * * * *

### § 414. Supplemental dependency and indemnity compensation to children

(a) In the case of a child entitled to dependency and indemnity compensation who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the dependency and indemnity compensation paid monthly to such child shall be increased by [$143] *$147.*

(b) If dependency and indemnity compensation is payable monthly to a person as a surviving spouse and there is a child (of such person's deceased spouse) who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the surviving spouse, in the amount of [$240] *$247.*

(c) If dependency and indemnity compensation is payable monthly to a person as a surviving spouse and there is a child (of such person's deceased spouse) who has attained the age of eighteen and who, while under the age of twenty-three, is pursuing a course of instruction at an educational institution approved under section

104 of this title, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the surviving spouse, in the amount of **[**$122**]** *$126.*

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## CHAPTER 17—HOSPITAL, NURSING HOME, DOMICILIARY, AND MEDICAL CARE

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### Subchapter II—Hospital, Nursing Home or Domiciliary Care and Medical Treatment

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### § 618. Therapeutic and rehabilitative activities

(a) * * *

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*(g) Notwithstanding any other provision of law, no amount of remuneration provided to an individual as a participant in a therapeutic or rehabilitative activity carried out pursuant to this section shall be included in determining annual income for purposes of pension payments under laws administered by the Administrator.*

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## CHAPTER 21—SPECIALLY ADAPTED HOUSING FOR DISABLED VETERANS

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### § 801. Veterans eligible for assistance

(a) * * *

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(b)(1) Subject to paragraph (2) of this subsection, the Administrator, under regulations which the Administrator shall prescribe, shall assist any veteran (other than a veteran who is eligible for assistance under subsection (a) of this section) who is entitled to compensation under chapter 11 of this title for a permanent and total service-connected disability which—

(A) is due to blindness in both eyes with 5/200 visual acuity or less, or

(B) includes the anatomical loss or loss of use of both hands, in acquiring such adaptations to such veteran's residence as are determined by the Administrator to be reasonably necessary because of such **[**disability.**]** *disability or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran because of such disability.*

(2) Assistance under paragraph (1) of this subsection may be provided only to a veteran who the Administrator determines is residing in and reasonably intends to continue residing in a residence owned by such veteran or by a member of such veteran's family or, if the veteran's residence is to be constructed or purchased, will be

residing in and reasonably intends to continue residing in a residence owned by such veteran or by a member of such veteran's family.

### § 802. Limitations on assistance furnished

(a) * * *

* * * * * * *

(b) Except as provided in section 804(b) of this title, the assistance authorized by section 801(b) of this title shall be limited to the lesser of—

(1) the actual [cost] *cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,* of the adaptations determined by the Administrator under such section 801(b) to be reasonably necessary, or

(2) $6,000.

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## CHAPTER 24—NATIONAL CEMETERIES AND MEMORIALS

* * * * * * *

### § 1004. Administration

(a) * * *

* * * * * * *

(c) *(1)* Each grave in a national cemetery shall be marked with an appropriate marker. Such marker shall bear the name of the person buried, the number of the grave, and such other information as the Administrator shall by regulation prescribe.

*(2)(A) Except as provided in subparagraph (B) of this paragraph, the Administrator shall designate a section in each national cemetery in which persons eligible for interment may be buried in graves to be marked with upright grave markers pursuant to paragraph (3)(B) of this subsection.*

*(B) Subparagraph (A) shall not apply to a national cemetery established before January 1, 1986, if the Administrator has never, before that date, authorized graves in such cemetery to be marked with upright markers.*

*(3)(A) Except as provided in subparagraph (B) of this paragraph, each marker in a national cemetery shall be flat.*

*(B) If a person to be buried in a national cemetery (or the survivor or the legal representative of such person) has requested that the person's grave be marked with an upright marker and space is available in a section designated under paragraph (2)(A) of this section for graves marked with an upright markers, the person shall be buried in such section and an upright marker shall be used to mark the grave.*

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# PART III—READJUSTMENT AND RELATED BENEFITS

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## CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE PROGRAM

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SUBCHAPTER IV—TIME LIMITATION FOR USE OF ELIGIBILITY AND ENTITLEMENT; GENERAL AND ADMINISTRATIVE PROVISIONS

1431. Time limitation for use of eligibility and entitlement.
1432. [Limitation] *Limitations* on educational assistance for certain individuals.
1433. Bar to duplication of educational assistance benefits.
1434. Program administration.
1435. Allocation of administration and of program costs.
1436. Reporting requirement.

### Subchapter I—Purposes; Definitions

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### § 1402. Definitions

For the purposes of this chapter—

* * * * * * *

[(3) The term "program of education" has the meaning given such term in section 1652(b) of this title.]

*(3) The term "program of education" (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or of other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title.*

* * * * * * *

*(7) The term "training establishment" has the meaning given such term in section 1652(e) of this title.*

### Subchapter II—Basic Educational Assistance

### § 1411. Basic educational assistance entitlement for service on active duty

(a) Except as provided in subsection (c) of this section each individual—

(1) who—

(A) during the period beginning on July 1, 1985, and ending on June 30, 1988, first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) who (I) serves at least three years of continuous active duty in the Armed Forces, or (II) in the case of an individual whose initial period of active duty is less than three years, serves at least two years of continuous active duty in the Armed Forces; or

(ii) who serves in the Armed Forces and is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, in the case of an individual who completed not less than 20 months of active duty, if the initial obligated period of active duty of the individual was less than three years, or in the case of an individual who completed not less than 30 months of active duty if the initial obligated period of active duty of the individual was at least three years; or

(B) as of December 31, 1989, is eligible for educational assistance benefits under chapter 34 of this title *and was on active duty on October 19, 1984, and without a break in service since October 19, 1984,* and—

(i) after June 30, 1985, serves at leasts three years of continuous active duty in the Armed Forces; or

(ii) after June 30, 1985, is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, if the individual completed not less than 30 months of active duty after that date;

(2) who, before completion of the service described in clause (1) of this subsection, has received a secondary school diploma (or an equivalency certificate); and

(3) who, after completion of the service described in clause (1) of this subsection—

(A) is discharged from service with an honorable discharge, is placed on the retired list, is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or is placed on the temporary disability retired list;

(B) continues on active duty; or

(C) is released from active duty for further service in a reserve component of the Armed Forces after service on active duty characterized by the Secretary concerned as honorable service;

is entitiled to basic educational assistance under this chapter.

* * * * * * *

### § 1412. Basic educational assistance entitlement for service in the Selected Reserve

(a) Except as provided in subsection (c) of this section, each individual—

(1) who—

(A) during the period beginning on July 1, 1985, and ending on June 30, 1988, first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces and—

(i) serves at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) subject to subsection (b) of this section and after completion of the service on active duty described in subclause (i) of this clause, serves at least four years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned; or

(B) as of December 31, 1989, is eligible for educational assistance under chapter 34 of this title *and was on active duty on October 19, 1984, and without a break in service since October 19, 1984,* and—

(i) after June 30, 1985, serves at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) after June 30, 1985, subject to subsection (b) of this section and after completion of such two years of service, serves at least four continuous years in the Selected Reserve during which the individual participates satisfactorily in training as prescribed by the Secretary concerned;

(2) who, before completion of the service described in clause (1) of this subsection, has received a secondary school diploma (or an equivalency certificate); and

(3) who, after completion of the service described in clause (1) of this subsection—

(A) is discharged from service with an honorable discharge, is placed on the retired list, or is transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service in the Selected Reserve characterized by the Secretary concerned as honorable service; or

(B) continues on active duty or in the Selected reserve;

is entitled to basic educational assistance under this chapter.

* * * * * * *

## Subchapter IV—Time Limitation for Use of Eligibility and Entitlement; General Administrative Provisions

### § 1431. Time limitation for use of eligibility and entitlement

(1) Except as provided in subsections (b) through **[**(d)**]**(*e*) of this section, the period during which an individual entitled to educational assistance under this chapter may use such individual's entitlement expires at the end of the 10-year period beginning on (1) the date of such individual's last discharge or release from active duty, or (2) the last day on which such individual becomes entitled to such assistance, whichever is later.

* * * * * * *

*(e) In the case of an individual described in section 1411(a)(1)(B) or 1412(a)(1)(B) of this title who is entitled to basic educational assistance under this chapter, the 10-year period prescribed in subsection (a) of this section shall be reduced by an amount of time equal to the amount of time that such individual was not serving on active duty during the period beginning on January 1, 1977, and ending on October 18, 1984.*

**[**(e)**]** (*f*)(1) If an individual eligible for educational assistance under this chapter is enrolled under this chapter in an educational institution regularly operated on the quarter or semester system and the period of such individual's entitlement under this chapter would, under this section, expire during a quarter or semester, such period shall be extended to the end of such quarter or semester.

(2) If an individual eligible for educational assistance under this chapter is enrolled under this chapter in an educational institution *not* regularly operated on the quarter or semester system and the period of such individual's entitlement under this chapter would, under this section, expire after a major portion of the course is completed, such period shall be extended to the end of the course or for 12 weeks, whichever is the lesser period of extension.

### § 1432. [Limitation] *Limitations* on educational assistance for certain individuals

(a) * * *

*　　*　　*　　*　　*　　*　　*

*(c)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.*

*(2)(A) The amount of the monthly educational assistance allowance for an individual pursuing a full-time program of apprenticeship or other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.*

*(B) And individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly educational assistance allowance as reduced under subparagraph (A) of this paragraph.*

*　　*　　*　　*　　*　　*　　*

### § 1434. Program administration

(a) Except as otherwise provided in this chapter, the provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1682(g), [and 1683] *1683, and 1685* of this title and the provisions of subchapters I and II of chapter 36 of this title [(with the exception of sections 1777, 1780(a)(5), 1780(b), 1786, 1787, and 1792 of such chapter)] *(with the exception of section 1787)* shall be applicable to the provision of educational assistance under this chapter. The term "eligible veteran", as used in those provisions, shall be deemed to include an individual who is eligible for educational assistance under this chapter.

(b) An educational assistance allowance for any period may not be paid to an individual enrolled in or pursuing a program of education under this chapter until the Administrator has received—

(1) from such individual a certification as to such individual's actual attendance during such period; and

(2) from the educational institution *or training establishment, as the case may be,* a certification, or an endorsement of

the individual's certificate, that such individual was enrolled in the pursuing of education during such period.

*(c) When an eligible individual is pursuing a program of education under this chapter by correspondence, the individual's entitlement under this chapter shall be charged at the rate of 1 month's entitlement for each month of benefits paid to the individual.*

[(c)] *(d)* Regulations prescribed by the Secretary of Defense under this chapter shall be uniform for the Armed Forces under the jurisdiction of the Secretary of a military department.

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## CHAPTER 32—POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE

* * * * * * *

SUBCHAPTER III—ENTITLEMENT; DURATION

1631. Entitlement; [loan eligibility.] *payment of benefits.*
1632. Duration; limitations.
*1633. Appenticeship or other on-job training.*

* * * * * * *

### Subchapter I—Purpose; Definitions

* * * * * * *

### § 1602. Definitions

For the purposes of this chapter—

* * * * * * *

[(2) The terms "program of education" and "educational institution" shall have the same meaning ascribed to them in sections 1652(b) and 1652(c), respectively, of this title.]

*(2) The term "program of education" (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title.*

* * * * * * *

*(4) The term "educational institution" has the meaning given such term in section 1652(c) of this title.*

*(5) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.*

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### Subchapter III—Entitlement; Duration

### § 1631. Entitlement; [loan eligibility] *payment of benefits*

(a)(1) * * *

* * * * * * *

(2) [The] *Except as provided in section 1633 of this title and subject to section 1641 of this title, the* amount of the monthly payment to which any eligible veteran is entitled shall be ascertained

by (A) adding all contributions made to the fund by the eligible veteran, (B) multiplying the sum by 3, (C) adding all contributions made to the fund for such veteran by the Secretary, and (D) dividing the sum by the lesser of 36 or the number of months in which contributions were made by such veteran.

* * * * * * *

**§ 1632. Duration; limitations**

[No educational assistance benefits shall be afforded an eligible veteran under this chapter beyond the date of 10 years after such veteran's last discharge or release from active duty. In the event an eligible veteran has not utilized any or all of such veterans' entitlement by the end of the 10-year period, such eligible veteran is automatically disenrolled and any contributions made by such veteran remaining in the fund shall be refunded to the veteran following notice to the veteran and an application by the veteran for such refund. If no application is received within 1 year from date of notice, it will be presumed for the purposes of section 1322(a) of title 31 that the individual's whereabouts is unknown and the funds shall be transferred as directed in such section.]

*(a)(1) Except as provided in paragraphs (2) and (3) of this subsection, educational assistance benefits shall not be afforded an eligible veteran under this chapter more than 10 years after the date of such veteran's last discharge or release from active duty.*

*(2)(A) If any eligible veteran was prevented from initiating or completing such veteran's chosen program of education during the delimiting period determined under paragraph (1) of this subsection because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made in accordance with subparagraph (B) of this paragraph, be granted an extension of the applicable delimiting period for such length of time as the Administrator determines, from the evidence, that such veteran was so prevented from initiating or completing such program of education.*

*(B) An extension of the delimiting period applicable to an eligible veteran may be granted under subparagraph (A) of this paragraph by reason of the veteran's mental or physical disability only if the veteran submits an application for such extension to the Administrator within 1 year after (i) the last date of the delimiting period otherwise applicable to the veteran under paragraph (1) of this subsection, or (ii) the termination date of the period of the veteran's mental or physical disability, whichever is later.*

*(3) When an extension of the applicable delimiting period is granted an eligible veteran under paragraph (2) of this subsection, the delimiting period with respect to such veteran shall again begin to run on the first day after such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations prescribed by the Administrator, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.*

*(b)(1) In the event that an eligible veteran has not utilized any or all of such veteran's entitlement by the end of the delimiting period*

*applicable to the veteran under subsection (a) of this section, such eligible veteran is automatically disenrolled.*

*(2)(A) Any contributions which were made by a veteran disenrolled under paragraph (1) of this subsection and remain in the fund shall be refunded to the veteran after notice of disenrollment is transmitted to the veteran and the veteran applies for such refund.*

*(B) If an application for refund of contributions under subparagraph (A) of this paragraph is received from a disenrolled veteran within 1 year after the date the notice referred to in such subparagraph is transmitted to the veteran, it shall be presumed, for the purposes of section 1322(a) of title 31, that the veteran's whereabouts is unknown and the funds shall be transferred as provided in such section.*

### *§ 1633. Apprenticeship or other on-job training*

*(a)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.*

*(2)(A) The amount of the monthly benefit payment to an individual pursuing a full-time program of apprenticeship or of other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.*

*(B) An individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly benefit as reduced under subparagraph (A) of this paragraph.*

* * * * * * *

## Subchapter IV—Administration

### §1641. Requirements

(*a*) The provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1683, *1685*, and 1691(a)(1) of this title and the provisions of chapter 36 of this title (with the exception of **[**sections 1777, 1780(c), and 1787) shall be applicable to the program.**]** *section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training while serving on active duty.*

*(b) The provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1683, and 1691(a)(1) of this title and the provisions of chapter 36 of this title (with the exception of section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training following discharge or release from active duty.*

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## CHAPTER 34—VETERANS' EDUCATIONAL ASSISTANCE

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## Subchapter II—Eligibility and Entitlement

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### § 1663. Educational and vocational counseling

The Administrator shall make available to any eligible veteran, upon such veteran's request, counseling services, including such educational and vocational counseling and guidance, testing, and other assistance as the Administrator deems necessary to aid such veteran in selecting (1) an educational or training objective and an educational institution or training establishment appropriate for the attainment of such objective, or (2) an employment objective that would be likely to provide such veteran with satisfactory employment opportunities in light of such veteran's personal circumstances. *In any case in which the Administrator has rated the veteran as being incompetent, such counseling shall be required to be provided to the veteran prior to the selection of a program of education or training.* At such intervals as the Administrator deems necessary, the Administrator shall make available information respecting the need for general education and for trained personnel in the various crafts, trades, and professions. Facilities of other Federal agencies collecting such information shall be utilized to the extent the Administrator deems practicable. The Administrator shall take appropriate steps (including individual notification where feasible) to acquaint all eligible veterans with the availability and advantages of such counseling services.

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## Subchapter IV—Payments to Eligible Veterans; Veteran-Student Services

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### § 1685. Veteran-student services

(a) * * *

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(b) Notwithstanding any other provision of law, the Administrator shall utilize, in connection with the activities specified in subsection (a) of this section, the services of veteran-students who are pursuing full-time programs of [education or training under chapters 31 and 34] *rehabilitation, education, or training under chapter 30, 31, 32, or 34* of this title. In carrying out this section, the Administrator, wherever feasible, shall give priority to veterans with disabilities rated at 30 per centum or more for purposes of chapter 11 of this title. In the event the veterans ceases to be a full-time student before completing such agreement, the veteran may, with the approval of the Administrator, be permitted to complete such agreement.

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# CHAPTER 35—SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE

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SUBCHAPTER III—PROGRAM OF EDUCATION

1720. [Development of educational plan] *Educational and vocational counseling.*
1721. [Final approval of application] *Approval of application.*
1722. [REPEALED.]
1723. Disapproval of enrollment in certain courses.
1724. Discontinuance for unsatisfactory progress.
1725. [REPEALED.]
1726. [REPEALED.]

## Subchapter II—Eligibility and Entitlement

* * * * * * *

### § 1712. Periods of eligibility

(a) * * *

* * * * * * *

(b)(1) * * *

* * * * * * *

*(3)(A) Notwithstanding the provisions of paragraph (1) of this subsection, any eligible person (as defined in clause (B), (C), or (D) of section 1701(a)(1) of this title) may, subject to the approval of the Administrator, be permitted to select a date referred to in subparagraph (B) of this paragraph to commence receiving educational assistance benefits under this chapter. The date so selected shall be the beginning date of the delimiting period applicable to such person under this section.*

*(B) The date which an eligible person may select under subparagraph (A) of this paragraph is any date during the period beginning on the date the person became an eligible person within the meaning of clause (B), (C), or (D) of section 1701(a)(1) of this title and ending on the date determined under subparagraph (A), (B), or (C) of paragraph (1) of this subsection to be applicable to such person.*

* * * * * * *

## Subchapter III—Program of Education

### § 1720. [Development of educational plan] *Educational and vocational counseling*

[(a) Upon provisional approval of an application for educational assistance for a person eligible within the meaning of section 1701(a)(1)(A) of this title, the Administrator may, upon request, arrange for educational or vocational counseling to assist the parent or guardian and the eligible person in selecting such person's educational, vocational, or professional objective and in developing such person's program of education. During, or after, such counseling, the parent or guardian shall prepare for the eligible person an educational plan which shall set forth the selected objective, the proposed program of education, a list of the educational institutions at which such program would be pursued, and estimate of the sum which would be required for tuition and fees in completion of such program, and such other information as the Administrator shall require. This educational plan shall be signed by the parent or guardian and shall become an integral part of the application for educational assistance under this chapter.**]**

**[**(b) The Administrator may, on request, arrange for educational counseling for persons eligible for educational assistance under section 1701(a)(1)(B), (C), or (D) of this title.**]**

*The Administrator may, upon request, arrange for educational or vocational counseling for persons eligible for benefits under this chapter to assist such persons in selecting their educational, vocational, or professional objectives and in developing their programs of education.*

### § 1721. **[**Final approval of application**]** *Approval of application*

The Administrator shall **[**finally**]** approve an application if the Administrator finds that—

**[**(1) section 1720 of this title has been complied with;**]**

**[**(2)**]***(1)* the proposed program of education constitutes a "program of education" as that term is defined in this chapter;

**[**(3)**]***(2)* the eligible person is not already qualified, by reason of previous education or training, for the educational, professional, or vocational objective for which the program of education is offered;

**[**(4)**]***(3)* the eligible person's proposed educational institution or training establishment is in compliance with all the requirements of this chapter and chapter 36 of this title; and

**[**(5)**]***(4)* it does not appear that the enrollment in or pursuit of such person's program of education would violate any provisions of this chapter or chapter 36 of this title.

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## CHAPTER 36—ADMINISTRATION OF EDUCATIONAL BENEFITS

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## Subchapter I—State Approving Agencies

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### § 1780. Payment of educational assistance or subsistence allowances

Period for Which Payment May Be Made

(a) Payment of educational assistance or subsistence allowances to eligible veterans or eligible persons pursuing a program of education or training, other than a program by correspondence, in an educational institution under chapter 31, 34, or 35 of this title shall be paid as provided in this section and, as applicable, in section 1508, 1682, 1691, or 1732 of this title. Such payments shall be paid only for the period of such veterans' or persons' enrollment in, and pursuit of, such program, but no amount shall be paid—

(1) to any eligible veteran or eligible person enrolled in course which leads to a standard college **[**degree**]** *degree, or a*

*course that meets the requirements of section 1788(a)(7) of this title,* for any period when such veteran or person is not pursuing such veteran's or person's course in accordance with the regularly established policies and regulations of the educational institution, with the provisons of such regulations as may be prescribed by the Administrator pursuant to subsection (g) of this section, and with the requirements of this chapter or of chapter 34 or 35 of this title, but payment may be made for an actual period of pursuit of one or more unit subjects pursued for a period of time shorter than the enrollment period at the educational institution;

(2) to any eligible veteran or eligible person enrolled in a course which does not lead to a standard college degree (excluding *courses that meet the requirements of section 1788(a)(7) of this title and* programs of apprenticeship and programs of other on-job training authorized by section 1787 of this title) for any day of absence in excess of thirty days in a twelve-month ~~period~~, no~~t c~~ounting as absences weekends or legal holidays (or customary vacation periods connected therewith) established by Federal or State law (or in the case of the Republic of the Philippines, Philippine law) during which the institution is not regul~~arly~~ in session and periods (not to exceed five days in any twelve-month period) when the institution is not in session because of teacher conferences or teacher training sessions;

(3) to any eligible veteran or person for auditing a course;

(4) to any eligible veteran or person for a course for which the grade assigned is not used in computing the requirements for graduation including a course from which the student withdraws unless the Administrator finds there are mitigating circumstances; or

(5) to any eligible veteran or person for pursuit of a program of education exclusively by correspondence as authorized under section 1786 of this title or for the pursuit of a correspondence portion of a combination correspondence-residence course leading to a vocational objective where the normal period of time required to complete such correspondence course or portion is less than 6 months. A certification as to the normal period of time required to complete the course must be made to the Administrator by the educational institution.

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### Payments for Less Than Half-Time Training

(f) Payment of educational assistance allowance in the case of any eligible veteran or eligible person pursuing a program of education on less than a half-time basis shall be made in an amount computed for the entire quarter, semester, or term [during] *not later than the last day of* the month immediately following the month in which certification is received from the educational institution that such veteran or person has enrolled in and is pursuing a program at such institution. Such lump sum payment shall be computed at the rate provided in section 1682(b) or 1732(a)(2) of this title, as applicable.

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## Subchapter II—Miscellaneous Provisions

### § 1781. Limitations on educational assistance

(a) * * *

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(b) No person may receive benefits concurrently under two or more of the provisions of law listed below **[**for the pursuit of the same program of education**]**:

(1) Chapters 30, 31, 32, 34, 35, and 36 of this title.

(2) **[**Chapter 107**]** *Chapters 106 and 107* of title 10.

(3) Section 903 of the Department of Defense Authorization Act, 1981 (Public Law 96-342, 10 U.S.C. 2141 note.)

(4) The Hostage Relief Act of 1980 (Public Law 96-449, 5 U.S.C. 5561 note.)

* * * * * * *

### § 1784. Reports by veterans, eligible persons, and institutions; reporting fee

**[**(a) The**]** *(a)(1) Except as provided in paragraph (2) of this subsection, the* veteran or eligible person and the educational institution offering a course in which such veteran or eligible person is enrolled under chapter 34, 35, or 36 of this title shall, without delay, report to the Administrator, in the form prescribed by the Administrator, such enrollment and any interruption or termination of the education of each such veteran or eligible person. The date of such interruption or termination will be the last date of pursuit, or, in the case of correspondence training, the last date a lesson was serviced by a school.

*(2) In the case of a program of independent study pursued on less than a half-time basis in an educational institution, the Administrator may approve a delay by the educational institution in reporting the enrollment or reenrollment of an eligible veteran or eligible person until the end of the term, quarter, or semester if the educational institution requests the delay and the Administrator determines that it is not feasible for the educational institution to monitor interruption or termination of the veteran's or eligible person's pursuit of such program.*

*(3)(A) Subject to subparagraph (B), an educational institution offering courses on a term, quarter, or semester basis may certify the enrollment of a veteran who is not on active duty or an eligible person in such courses for more than one term, quarter, or semester at a time, but not for a period extending beyond the end of a school year (including the summer enrollment period).*

*(B) Subparagraph (A) of this paragraph shall not apply with respect to any term, quarter, or semester for which the veteran or eligible person is enrolled on a less than half-time basis and shall not be construed as restricting the Administrator from requiring that an educational institution, in reporting an enrollment for more than*

*one term, quarter, or semester, specify the dates of any intervals within or between any such terms, quarters, or semesters.*

* * * * * * *

### § 1788. Measurement of courses

(a) For the purposes of this chapter and chapters 34 and 35 of this title—

(1) an institutional trade or technical course offered on a clock-hour basis, not leading to a standard college degree, involving shop practice as an integral part thereof, shall be considered a full-time course when a minimum of thirty hours per week of attendance is required with no more than two and one-half hours of rest periods and not more than 5 hours of supervised study per week allowed, but if such course is approved pursuant to section 1775(a)(1) of this title, then 22 hours per week of attendance, with no more than 2½ hours of rest period per week allowed and excluding supervised study, shall be considered full time;

(2) an institutional course offfered on a clock-hour basis, not leading to a standard college degree, in which theoretical or classroom instruction predominates shall be considered a full-time course when a minimum of twenty-five hours per week net of instruction and not more than 5 hours of supervised study (which may include customary intervals not to exceed ten minutes between hours of instruction) is required, but if such course is approved pursuant to section 1775(a)(1) of this title, then 18 hours per week net of instruction (excluding supervised study), which may include customary intervals not to exceed ten minutes between hours of instruction shall be considered full time;

(3) an academic high school course requiring sixteen units for a full course shall be considered a full-time course when (A) a minimum of four units per year is required or (B) an individual is pursuing a program of education leading to an accredited high school diploma at a rate which, if continued, would result in receipt of such a diploma in four ordinary school years. For the purpose of subclause (A) of this clause, a unit is defined to be not less than one hundred and twenty sixty-minute hours or their equivalent of study in any subject in one academic year;

(4) an institutional undergraduate course offered by a college or university in residence on a standard quarter- or semester-hour basis shall be considered a full-time course when a minimum of fourteen semester hours per semester or the equivalent thereof (including such hours for which no credit is granted but which are required to be taken to correct an educational deficiency and which the educational institution considers to be quarter or semester hours for other administrative purposes), for which credit is granted toward a standard college degree, is required, except that where such college or university certifies upon the request of the Administrator, that (A) full-time tuition is charged to all undergraduate students carrying a minimum of less than fourteen such semester hours or the

equivalent thereof, or (B) all undergraduate students carrying a minimum of less than fourteen such semester hours or the equivalent thereof, are considered to be pursuing a full-time course for other administrative purposes, then such an institutional undergraduate course offered by such college or university with such minimum number of such semester hours shall be considered a full-time course, but in the event such minimum number of semester hours is less than twelve semester hours or the equivalent thereof, then twelve semester hours or the equivalent thereof shall be considered a full-time course;

(5) a program of apprenticeship or a program of other on-job training shall be considered a full-time program when the eligible veteran or person is required to work the number of hours constituting the standard workweek of the training establishment, but a workweek of less than thirty hours shall not be considered to constitute full-time training unless a lesser number of hours has been established as the standard workweek for the particular establishment through bona fide collective bargaining; **[**and**]**

(6) an institutional course offered as part of a program of education, not leading to a standard college degree, under section 1691(a)(2) of this title shall be considered a full-time course on the basis of measurement criteria provided in clause (2), (3), or (4) of this-subsection as determined by the educational **[**institution.**]** *institution; and*

*(7) an institutional course not leading to a standard college degree, offered by an institution of higher learning in residence on a standard quarter- or semester-hour basis, shall be measured as full time on the same basis as provided in clause (4) of this subsectoin if (A) such course is approved pursuant to section 1775 of this title, and (B) a majority of the total credits required for the course is derived from unit courses or subjects offered by the institution as part of a course, so approved, leading to a standard college degree.*

* * * * * * *

(c) For the purposes of subsection (a)**[**(4)**]** of this section, the term "in residence on a standard quarter- or semester-hour basis" means a study at a site or campus of a college or university, or off-campus at an official resident center, requiring pursuit of regularly scheduled weekly class instruction at the rate of one standard class session per week throughout the quarter or semester for one quarter or one semester hour of credit. For the purposes of the preceding sentence, the term "standard class session" means one hour (or fifty-minute period) of academic instruction, two hours of laboratory instruction, or three hours of workshop training.

* * * * * * *

*(e) For the purpose of determining whether a course—*

*(1) which is offered by an institution of higher learning, and*

*(2) for which such institution requires one or more unit courses or subjects for which credit is granted toward a standard college degree*

*will, during the semester (or quarter or other applicable portion of the academic year) when such unit course or subject is being pursued, be considered full time under clause (1) or (2) of subsection (a) of this section, each of the numbers of hours specified in such clause shall be deemed to be reduced, during such semester (or other portion of the academic year), by the percentage described in the following sentence and rounded as the Administrator may prescribe. Such percentage is the percentage that the number of semester hours (or the equivalent thereof) represented by such unit course or subject is of the number of semester hours (or the equivalent thereof) which, under clause (4) of such subsection, constitutes a full-time institutional undergraduate course at such institution.*

* * * * * * *

### § 1792. Advisory committee

(a) There shall be an advisory committee formed by the Administrator which shall be composed of persons who are eminent in their respective fields of education, labor, and management and of representatives of institutions and establishments furnishing education to eligible veterans or persons enrolled under chapter *30*, 32, 34, or 35 of this title. The committee shall also include veterans representative of World War II, the Korean conflict era, the post-Korean conflict era, the Vietnam era, and the post-Vietnam era. The Assistant Secretary of Education for Postsecondary Education (or such other comparable official of the Department of Education as the Secretary of Education may designate) and the Assistant Secretary of Labor for Veterans' Employment shall be ex officio members of the advisory committee.

(b) The Administrator shall consult with and seek the advice of the committee from time to time with respect to the administration of this chapter and chapters *30*, 32, 34, and 35 of this title. The committee may make such reports and recommendations as it considers desirable to the Administrator and the Congress.

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## CHAPTER 37—HOUSING AND SMALL BUSINESS LOANS

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### SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

1820. Powers of Administrator.
1821. Incontestability.
1822. [REPEALED.]
1823. Direct loan revolving fund.
1824. Loan guaranty revolving fund.
1825. Waiver of discharge requirements for hospitalized persons.
1826. Withholding of payments, benefits, etc.
1827. Expenditures to corrent or compensate for structural defects in mortgaged homes.
1828. Exemption from State anti-usury provisions.
1829. Loan fee.
1830. Use of attorneys in court.
*1831. Appraisals.*
*1832. Furnishing information to real estate professionals to facilitate the disposition of properties.*

* * * * * * *

## Subchapter II—Loans

### § 1810. Purchase or construction of homes

(a) * * *

* * * * * * *

(b) No loan may be guaranteed under this section or made under section 1811 of this title unless—

(1) the proceeds of such loan will be used to pay for the property purchased, constructed, or improved;

(2) the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses;

(3) the veteran is a satisfactory credit [risk;] *risk, as determined in accordance with the credit underwriting standards prescribed pursuant to subsection (g) of this section;*

(4) the nature and condition of the property is such as to be suitable for dwelling purposes;

(5) the loan to be paid by the veteran for such property or for the cost of construction, repairs, or alterations, does not exceed the reasonable value thereof as determined by the Administrator; and,

(6) if the loan is for repair, alteration, or improvement of property, such repair, alteration, or improvement substantially protects or improves the basic livability or utility of such property.

After the reasonable value of any property, construction, repairs, or alterations is determined under paragraph (5), the Administrator shall, as soon as possible thereafter, notify the veteran concerned of such determination.

(c) The amount of guaranty entitlement available to a veteran under this section shall not be more than [$27,500] *$33,500* less such entitlement as may have been used previously under this section and other sections of this chapter.

* * * * * * *

*(g)(1) For the purposes of this subsection, the term "veteran", when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.*

*(2) For the purpose of determining whether a veteran meets the standards referred to in subsection (b)(3) of this section and section 1819(e)(2) of this title, the Administrator shall prescribe regulations which establish—*

*(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and*

*(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.*

*(3) In the regulations prescribed under paragraph (2) of this subsection, the Administrator shall establish standards that—*

*(A) include—*

*(i) debt-to-income ratios to apply in the case of the veteran applying for the loan;*

*(ii) criteria for evaluating the reliability and stability of the income of the veteran applying for the loan; and*

*(iii) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms; and*

*(B) are designed to be in accordance with the loan underwriting principles and application procedures generally accepted and used by commercial lending institutions with respect to loans with comparable security arrangements.*

*(4)(A) Any lender making a loan under this chapter shall certify, in such form as the Administrator shall prescribe, that the lender has complied with the credit information and loan processing standards established under paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the loan meets the underwriting standards established under paragraph (2)(A) of this subsection.*

*(B) Any lender who knowingly and willfully makes a false certification under subparagraph (A) of this paragraph shall be liable to the United States Government for a civil penalty equal to two times the amount of the Administrator's loss on the loan involved or to another appropriate amount, not to exceed $10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Administrator.*

*(5) Pursuant to regulations prescribed to carry out this paragraph, the Administrator may, in extraordinary situations, waive the application of the credit underwriting standards established under paragraph (2) of this subsection when the Administrator determines, considering the totality of circumstances, that the veteran is a satisfactory credit risk.*

**§ 1811. Direct loans to veterans**

(a) * * * *

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(d)(1) Loans made under this section shall bear interest at a rate determined by the Administrator, not to exceed the rate authorized for guaranteed home loans, or manufactured home loans, as appropriate, and shall be subject to such requirements or limitations prescribed for loans guaranteed under this title as may be applicable.

(2)(A) Except for any loan made under this chapter for the purposes described in section 1819 of this title, the original principal amount of any loan made under this section shall not exceed an amount which bears the same ratio to $33,000 as the amount of guaranty to whch the veteran is entitled under section 1810 of this title at the time the loan is made bears to **[**$27,500**]** *$33,500*; and the guaranty entitlement of any veteran who heretofore or hereafter has been granted a loan under this section shall be charged with an amount which bears the same ratio to **[**$27,500**]** *$33,500* as the amount of the loan bears to $33,000.

* * * * * * *

### § 1816. Procedure on default

(a)(1) [In the event of default in the payment of any loan guaranteed under this chapter, the holder of the obligation shall notify the Administrator of such default.] *The holder of a loan guaranteed under this chapter shall promptly notify the Administrator of any failure of the debtor under the loan to make in full two monthly payments due on the loan. Within 15 days after the date on which the Administrator receives such notification, the Administrator shall notify the veteran of the requirement set forth in paragraph (4) of this subsection.*

* * * * * * *

*(4) Except as provided in paragraph (2) of this subsection, not later than 15 days after the first date on which a veteran has failed to make in full four monthly payments due on any loan guaranteed under this chapter, the holder of the loan shall initiate foreclosure.*

*(e) If a holder of a loan guaranteed under this chapter fails to initiate foreclosure on the loan as required by subsection (a)(4) of this section, the Administrator shall not be liable under the guaranty for interest accruing on such loan during the period beginning on the date the holder should have initiated the foreclosure and ending on the date the holder initiates the foreclosure.*

*(f)(1) The Administrator shall identify and compile information on common factors which the Administrator finds contribute to foreclosures on loans guaranteed under this chapter.*

*(2) The Administrator shall include the Administrator's findings under paragraph (1) of this subsection in the annual report submitted to the Congress under section 214 of this title.*

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### § 1819. Loans to purchase manufactured homes and lots

(a)(1) * * *

* * * * * * *

(e) No loan shall be guaranteed under this section unless—

(1) the loan is repayable in approximately equal monthly installments;

(2) the terms of repayment bear a proper relationship to the veteran's present and anticipated income and expenses, and the veteran is a satisfactory credit risk, *as determined in accordance with the regulations prescribed under section 1810(g) of this title and* taking into account the purpose of this program to make available lower cost housing to low and lower income veterans, especially those who have been recently discharged or released from active military, naval, or air service, who may not have previously established credit ratings;

(3) the loan is secured by a first lien on the manufactured home purchased with the proceeds of the loan and on any lot acquired or improved with the proceeds of the loan;

(4) the amount of the loan to be paid by the veteran is not in excess of the amount determined to be reasonable, based upon—

(A) with respect to any portion of the loan to purchase a new manufactured home, such cost factors as the Administrator considers proper to take into account;

(B) with respect to any portion of the loan to purchase a used manufactured home, the reasonable value of the property, as determined by the Administrator;

(C) with respect to any portion of the loan to purchase a lot, the reasonable value of such lot, as determined by the Administrator; and

(D) with respect to any portion of the loan to cover the cost of necessary site preparation, an appropriate amount, as determined by the Administrator;

(5) the veteran certifies, in such form as the Administrator shall prescribe, that the veteran will personally occupy the property as the veteran's home;

(6) the manufactured home is or will be placed on a site which meets specifications which the Administrator shall establish by regulation; and

(7) the interest rate to be charged on the loan does not exceed the permissible rate established by the Administrator.

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## Subchapter III—Administrative Provisions

### § 1820. Powers of Administrator

(a) * * *

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(b) The powers granted by this section may be exercised by the Administrator without regard to any other provision of law not enacted expressly in limitation of this section, which otherwise would govern the expenditure of public funds; however, section 3709 of the Revised Statutes (41 U.S.C. 5) shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds **[**$1,000.**]** *the amount prescribed in clause (1) of the first sentence of such section.*

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### § 1823. Direct loan revolving fund

(a) * * *

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*(d)(1) The Secretary of the Treasury shall transfer from the direct loan revolving fund to the loan guaranty revolving fund established by section 1824(a) of this title such amounts as the Administrator determines are not needed in the direct loan revolving fund.*

*(2) Not later than 30 days after the date on which the Administrator makes a transfer under paragraph (1) of this subsection, the Administrator shall submit a notice of such transfer to the appropriate committees of the Congress.*

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### § 1830. Use of attorneys in court

(a) Within 180 days after the date of the enactment of this section, the Administrator shall take appropriate steps to authorize attorneys employed by the Veterans' Administration to exercise the right of the United States to bring suit in court to foreclose a loan made or acquired by the Administrator under this chapter and to recover possession of any property acquired by the Administrator under this chapter. [With the concurrence of the Attorney General of the United States, the] *The* Administrator may acquire the services of attorneys, other than those who are employees of the Veterans' Administration, to exercise that right. The activities of attorneys in bringing suit under this section shall be subject to the direction and supervision of the Attorney General and to such terms and conditions as the Attorney General may prescribe.

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### *§ 1831. Appraisals*

*(a) The Administrator shall—*

*(1) prescribe—*

*(A) standardized examinations on appraising, taking into consideration local appraising practices; and*

*(B) uniform qualifications for appraisers;*

*(2) use such examinations and qualifications in determining whether to approve an appraiser to make appraisals of the reasonable value of any property, construction, repairs, or alterations for the purposes of this chapter; and*

*(3) in consultation with appropriate representatives of institutions which are regularly engaged in making housing loans, develop and maintain a list of appraisers who are approved under clause (2) of this subsection to make appraisals for the purposes of this chapter.*

*(b) The Administrator shall select appraisers from the list required by subsection (a)(3) of this section on a rotating basis to make appraisals for the purposes of this chapter.*

*(c) The Administrator shall furnish a copy of the appraisal made of property for the purposes of this chapter to the lender proposing to make the loan which is to be secured by such property and is to be guaranteed under this chapter.*

*(d) If a lender—*

*(1) has proposed to make a loan to be guaranteed under this chapter,*

*(2) has been furnished an appraisal of the reasonable value of any property or of any construction, repairs, or alterations of property which is to be the security for such loan, as required by subsection (c) of this section, and*

*(3) within a reasonable period prescribed by the Administrator, has furnished to the Administrator an additional appraisal of the reasonable value of such property, construction, repairs, or alterations which was made by an appraiser selected by the lender from the list required by subsection (a)(3) of this section,*

*the Administrator shall consider both the initial appraisal and the additional appraisal before issuing a certificate of reasonable value of such property, construction, repairs, or alterations.*

*(e) The Administrator shall establish such appraisal fee limitations as the Administrator considers appropriate to ensure that appraisers making appraisals in any locality for the purposes of this chapter are paid a fee which is comparable to fees generally paid for other comparable appraisals in such locality.*

***§ 1832. Furnishing information to real estate professionals to facilitate the disposition of properties***

*The Administrator shall furnish to real estate brokers and other real estate sales professionals information on the availability of real property for disposition under this chapter and the procedures used by the Veterans' Administration to dispose of such property.*

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# PART IV—GENERAL ADMINISTRATIVE PROVISIONS

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## CHAPTER 55—MINORS, INCOMPETENTS, AND OTHER WARDS

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### § 3203. Hospitalized veterans and estates of incompetent institutionalized veterans

(a)(1)(A) * * *

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(b)(1)(A) In any case in which a veteran having neither spouse nor child is being furnished hospital treatment or institutional or domiciliary care without charge or otherwise by the United States, or any political subdivision thereof, is rated by the Veterans' Administration in accordance with regulations as being incompetent, and the veteran's estate (excluding the value of the veteran's home unless there is no reasonable likelihood that the veteran will again reside in such home), from any source equals or exceeds **[**$1,500**]** *$6,000*, further payments of pension, compensation, or emergency officers' retirement pay shall not be made until the estate is reduced to **[**$500**]** *$2,000*

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